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LECTURES

ON

POLITICAL ECONOMY.

TWO

LECTURES

ON

POLITICAL ECONOMY,

DELIVERED AT CLINTON HALL,

BEFORE THE

MERCANTILE LIBRARY ASSOCIATION

OF THE

CITY OF NEW-YORK,

ON THE 23d AND 30th OF DECEMBER, 1831.

BY

WILLIAM BEACH LAWRENCE.

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TO

ALBERT GALLATIN,

THESE LECTURES ARE INSCRIBED,

AS A SLIGHT TESTIMONY OF THE PROFOUND RESPECT,

AND AFFECTIONATE REGARD OF

THE AUTHOR.

ERRATA.

Page 11 line 4, insert *not* between "was" and "at."
13 lines 6 & 7, the words "*said the mercantilists*" are part of the translation from Sismondi.
37 last line, for "nor" read "*or.*"
38 line 5, supply *the* before American.
44 line 24, for *ascribed* read *prescribed.*
60 line 10, for *renders* read *render.*
63 line 6 from the bottom, for *affected* read *effected,*
67 line 13, in place of *for economical* read *from economical.*

LECTURES, &c.

LECTURE I.

HISTORY OF POLITICAL ECONOMY.

Gentlemen of the Mercantile Library Association,

We often hear, not only in private conversation, but even in the halls of legislation, that a proposition is well enough in theory, but that it will not answer in practice.

Before entering on the examination of our subject, it may perhaps be advisable to inquire, whether there is any meaning in a phrase, which has been so frequently repeated, that it has become a received adage. If it has the slightest foundation in reason, there is an end of Political Economy, and indeed of all science, for the objection applies to one department of learning as much as to another, and would go to substitute the untutored cunning of a savage for the discriminating judgment of a Ricardo, or the expanded intellect of a Brougham.

Indeed, if there is any branch of moral science, the principles of which stand on a firmer basis than the rest, it is the one which we are about to discuss. As an eminent disciple of the Ricardian school* has truly declared, "Political Economy is analogous to the mixed mathematics: the *data* upon which it proceeds are furnished by observation and experience, while the conclusions, to which it leads, are attained by a process of ratiocination self-evident in all its parts."

* Torrens.

But to talk of a theory, as opposed to practice, is a gross perversion of language, and a contradiction in terms. A theory or science is only a history of practice; it is a collection of experiments arranged in order and accompanied by an analysis to unveil their causes and effects, and unless it accords with the results of observation, and bears the test of experience, it is altogether worthless, while, on the other hand, "without principles deduced from analytical reasoning, experience is a useless and a blind guide."

There is no proposition however absurd, which statistical *data* may not be brought to sustain; but it is the part of science to distinguish between unconnected events, and those which succeed one another as cause and effect. We have, indeed, an ample illustration of the consequence of deducing inferences from isolated facts in the appeals made to political arithmetic by both the friends and opponents of the protecting system. On the one side, the falling off in the price of most manufactured commodities, which is common to us and to Europe, and is to be ascribed to the change in the currency, increased facilities of obtaining the raw material, improvements in machinery, the altered situation of the world, and other causes, is claimed as a proof of the beneficial effects of high tariffs; on the other, the depressed condition of the old southern states,—the necessary result of bringing the virgin soil of Illinois and Alabama into competition with the worn out lands of Virginia and Carolina, is wholly imputed to the same Congressional enactments.

We do not mean to contend that those who profess to act according to the doctrines of Political Economy, never commit mistakes. It very often happens, that an incorrect application is made of a principle in itself perfectly unexceptionable. A student in Natural Philosophy, regarding solely the *vis inertiæ* of matter, and not attending to friction and other countervailing causes, might be astonished to find that a body, once put in motion, did not continue to move on for ever. But, assuredly, his folly or ignorance would be no argument against the study of mechanics,

neither should the occasional errors of those, who, in economical investigations, overlook the particular circumstances, which modify the general proposition, be adduced to maintain the inutility of the science, which they cultivate.

It may also be admitted, that many individuals, like the *bourgeois gentilhomme* in Moliére's Comedy, who had spoken prose all his life without being aware of it, act unconsciously according to the most approved theory of Political Economy; but, unless we condemn grammar as an unnecessary study, we cannot from thence conclude, that an analysis of the principles of a science, in which the incidence of taxation and the phenomena of prices are explained, is useless to those, who are concerned in making laws, (in which functions, as electors at least, we all participate) or to the buyers and sellers of commodities,—a class, which, in this eminently commercial community, includes directly or indirectly, every individual. As is justly remarked by a female writer*, the author of several popular works on scientific subjects, "Political Economy is intimately connected with the daily occurrences of life, and, in this respect, differs materially from Chemistry, Astronomy, or Electricity. The mistakes we may fall into in the latter sciences, can have little sensible effect upon our conduct, whilst our ignorance of the former may lead us into serious practical errors."

It is scarcely necessary to dilate further on this topic. However agreeable it might be to self-satisfied indolence to prefer *common sense*, or as our eastern brethren would phrase it, *guessing*, to scientific deductions, the day is gone by for enlightened men to attempt to arrest by obsolete maxims all legitimate discussion. I cannot but esteem it a cause of congratulation to those who seek truth, for its own sake, that both the distinguished conventions, which have recently had our commercial policy under consideration, defended their respective positions by a reference to political economy. They recognized the science, admitted its authority, though they differed in the application of its principles.

* Mrs. Marcet.

Political economy is the science, which relates to the nature and causes of the wealth of nations. It inquires into the laws, which govern the production, distribution, and consumption of riches, with a view to such an application of human exertions to the agents of production supplied by nature, as may lead to the greatest possible increase of the comforts and enjoyments of life.

Proceeding upon the simple and undeniable proposition, that nations are only collections of individuals, it naturally concludes, that the same rules, which regulate the economy of families, may be extended to the management of states. The great end of human exertion is the attainment of happiness, and the conduct of all men, not devoid of ordinary prudence, sufficiently shews, that an essential means to the accomplishment of that object, is a secure provision for the wants, either necessary or conventional, to which they have been habituated, with a progressive augmentation of comforts and enjoyments. The result, which every individual endeavors to obtain for himself, political economy aims at procuring for the whole people. By economizing labor, and directing the energies of nations as well as of individuals to those pursuits, for which they possess peculiar facilities, it tends to give to all the members of the community increased opportunities for the cultivation of those intellectual powers, which are the distinguishing attributes of our nature, while the adoption of its principles, which demonstrate that the prosperity of one country is closely linked with that of all others, would put an end to the ordinary causes of war, and, by appealing to their self-interest, establish in relation to nations, what Christianity inculcates with respect to individuals.

That Political Economy was neglected by the ancients, and is now only beginning to assume an appropriate place among the departments of learning is unquestionably true; but, if this be an objection to the cultivation of our science, it is one equally applicable to Mineralogy, Botany, and many other studies. Political Economy has had difficulties to encounter, to which physical speculations are not exposed. Its liberal character, and the

nature of its principles, which, like the precepts of the gospel, bespeak "on earth peace, good-will toward men" have not hitherto been calculated to propitiate its reception.

Besides the errors in economical regulations, which are to be ascribed to honest ignorance, many unwise enactments have resulted from the abuse of power. There are not, indeed, in the codes of any country, whatever may have been their professed object, many laws, which were really designed to benefit the whole community. If we analyse the internal organization of states, we shall find that the population is always divided into two classes, the *governors* and the *governed;* and this is true, whatever may be the forms, under which the administration of public affairs is conducted. Sometimes it is a despot, who like Napoleon, by the force of genius alone, makes every measure subservient to his boundless ambition, at others, it is a privileged class, like the free citizens in the ancient republics, or the feudal barons, who have an hereditary claim to a monopoly of power; while, in most states, those who have their fortunes invested in particular branches of industry, with a sagacity equal to that of the incorporated trades of the middle ages, or of the British corn growers of the present day, cause it to be received as a political axiom, that patriotism forbids all competition in the business which they may happen to conduct. Even the agriculturists, merchants, and manufacturers, of the same country, instead of regarding the prosperity of the several classes as intimately connected, are taught to believe, that their respective interests are essentially hostile and incompatible. Nor are governments founded on the principles of equal rights, peculiarly exempt from the influence of sectional or partial interests. So far is this from being the case, that it is yet made a question, whether a representative should vote according to the views of his constituents, or should follow the course, in his judgment, best calculated to advance the general prosperity of the nation. And thus it often happens, that to promote the interest of a neighborhood, or of a class of individuals, to an inconsiderable extent, by an unwise

interference with the freedom of industry, many times the amount of wealth, which is gained by the favored few, is lost to the country and to the world.

The law of the Egyptians, which prescribed to every individual the profession of his ancestor, was analogous to that of the hereditary monarchy or peerage of modern times. It is as easy to suppose, that a man is born a carpenter, or a shoemaker, as that he comes into the world possessed intuitively of the knowledge suitable for a magistrate or a legislator, but when the rule in question serves to perpetuate power and wealth in the privileged classes, it is in vain that one would attempt to show, that the national weal is best promoted by allowing every man to engage in the pursuits to which his own interests impel him.

The system of Sparta, having for its object physical strength at any sacrifice of the finer sensibilities of the soul, can scarcely find advocates in this enlightened age. That the accumulation of wealth was not sought for is undeniable, and equally true is it, that human happiness was not the aim of the institutions of Lycurgus. To form a nation of soldiers, not calculated for a period, when the rules of warfare are subjected to scientific exactness, but for an age, when individual bravery was the one thing needful, formed the basis of a scheme, at the details of which humanity is frequently made to shudder.

The history of Athens may almost be said to be that of Greece, for " its glory attracts every eye towards this illustrious republic, and places in the shade the numerous allies and rivals of the Athenians." But the Athenians having a limited territory, like many even of the enlightened nations of our own times, regarded the immediate to the neglect of the more remote, but efficient means of procuring a plentiful supply of provisions. Regulations against forestalling, and enactments similar to the corn laws of England, are to be found in their code, and were, as it appears from history, attended with the consequences inseparable from all unwise interference in matters that should be left to the foresight of individuals.

Slavery, which generally prevailed in the Grecian commonwealths, either under the form of domestic bondage or of villanage, produced a most sensible influence on their economical views. By the slaves most, if not all of the arts of industry were conducted; their services were not confined to mere manual labor, but the superintendence of the most extensive manufactories was deemed unworthy of the attention of freemen. Much as the maritime towns depended on commerce, those individuals, who were directly engaged in the manufacturing or vending of commodities, never attained that consideration in the state, which they so justly enjoy in modern times.

In consequence, however, of the indifference of ancient legislators to the science of national wealth, industry was generally allowed to regulate itself. "It was not," says a German writer on the Politics of ancient Greece, "considered an object to preserve the mass of specie undiminished or to increase it; nothing was known of the balance of trade, and consequently all the violent measures resulting from it were never devised by the Greeks. They had duties as well as the moderns, but those duties were exacted only for the sake of increasing the public revenue, not to direct the efforts of domestic industry, by the prohibition of certain wares. There was no prohibition of the exportation of the raw produce; no encouragement of manufactures at the expense of the agriculturists. In this respect, therefore, there existed freedom of occupations, commerce, and trade. And such was the general custom. As every thing was decided by circumstances and not by general rules, there may have been single exceptions, and perhaps single examples, where the state for a season usurped a monopoly. But how far is this from the mercantile and restrictive system of the moderns!"*

The Romans were a military nation, and their principle was to make, by means of the sword, the industry of the whole world tributary to their support. Commerce, which holds so important

* Bancroft's Hereen, page 192.

a rank among the instruments of production, was not deemed worthy of the attention of a martial people. The granaries of Egypt and Sicily were made subservient to the wants of Rome, and, in the latter days of her power, not only were the sanguinary amusements of the amphitheatre employed to procure popular favor, but dictators and emperors made largesses of provisions and money passports to supreme authority. Assuredly, it is not among such a people, that we are to look for the science of Political Economy. The edicts of the Emperors, however, establishing the maximum prices of the various commodities, in general request, show that the Romans did not remain always strangers to the regulating *mania*.

The ancient philosophers ordinarily assumed some arbitrary principle, as the foundation of their peculiar systems. To the support of these dogmas, all the talents of the schools were directed. Riches were regarded as an evil, and the moralists and legislators of antiquity concurred in condemning them. Plato compares gold and virtue to two weights, placed in a balance, one of which cannot rise, unless the other falls, and he suggests that the laws should make it penal for a free citizen to engage in trade. Aristotle said that a good republic should never admit artizans to the right of citizenship, and that agriculture should be conducted by slaves. With regard to the nature of wealth, however, the preceptor of Alexander entertained much sounder views than some of the practical statesmen of the present age. "Many," says he, "suppose wealth to consist in an abundance of coined money, because it is the object of usury and commerce. Money is of itself without value, and gains its utility only by the law; when it ceases to be current, it loses its value, and cannot be employed in the acquisition of necessaries; and therefore he, who is rich in money, may yet be destitute of a bare support. But, it is ridiculous to say that wealth consists in any thing, of which a man may be possessed, and yet die of hunger, as the fable relates of Midas, at whose touch every thing became gold."

Cicero recommends diligence and parsimony, and refers to the "Æconomics" of Xenophon, a work, which, he informs us, he himself had translated into Latin. But though he speaks of wealth in his "Offices," and classes it among those things, which are to be understood as conducing to utility, he regards a knowledge of the functions of capital as the appropriate business of the practical money dealer, whom he terms, somewhat ironically, *optimus vir*. If we examine other Latin moralists, we find advice, which, like the doctrines of the Cynics, would perpetuate poverty and barbarism. "If you would become rich," says Seneca, "do not increase your possessions, but diminish your desires."

If our science was not cultivated among the Greeks and Romans, we are not to look for any treatises of Political Economy in the middle ages. The object then seems not to have been to make advances in knowledge, but rather to forget all that centuries had effected, and to yield up the world a prey to superstition and the sword. The feudal system, which generally prevailed, at the dawn of modern civilization, was peculiarly adapted to a course of restrictive regulations. Not only were there almost incessant wars between neighboring kingdoms, but the contests among lords, owing a nominal allegiance to the same sovereign, were of a scarcely less sanguinary character. If we consider the relations, which have generally subsisted between England and France, from the very establishment of those monarchies, we may form some idea of the state of Europe, when almost every two contiguous baronies belonged to rival chieftains.

The oppression of the barons, and the desire of the kings to create a power in the state, which might be a counterpoise to that of the nobles, gave rise to walled towns, and to the favors which were conceded to them. Such was the effect of the industry of the burghers, compared with the mode of life pursued by the great lords and their retainers, that many of these cities became independent, not only of the neighboring barons, but of the sovereign himself. No sooner, however, were these towns relieved from apprehensions of the nobility, than the effects of jealousy among republics,

equals in strength and competitors in commerce and manufactures, began to manifest themselves. Their object was not so much their own advancement as the depression of their neighbors.

In an age, also, when bills of credit and public funds did not exist, and other personal property was principally confined to articles of a perishable nature, the hoarding of gold and silver,—commodities universally esteemed, was almost the only means by which states or individuals could provide for sudden contingencies. This practice was pursued to a great extent by sovereigns in ancient times, and it is even to this day adopted by those petty princes of the East Indies, who have not fallen under the sway of the English Company.

To the circumstances, to which we have referred, may be ascribed the origin of that restrictive system, which, has caused a greater destruction of wealth, and the effusion of more blood, than the cruelty of all the Neros, or the ambition of all the Napoleons. Though the mercantile theory had no other specious foundation, than what arose from confounding the instrument of interchange with the values of which it serves as a measure, it has not yet ceased to govern the councils of nations. The object of its advocates, and wars have been carried on for no other plausible motive, was to obtain by a multiplicity of regulations, such a course of trade, that more coin or bullion might be brought into the country, than would be taken from it by the operations of commerce. This, it was conceived, could only be effectually accomplished by sending abroad domestic commodities, and by refusing to receive articles of foreign fabric. The difference between the value of the exports and imports must be paid, it was supposed, in the precious metals. Hence the origin of the *balance of trade*, that fruitful source of never-ending declamation.

Though it was readily admitted that, by artificial means, too great a proportionate quantity of other articles might be introduced, yet it was supposed that gold and silver never could superabound. If a hundred dollars in gold purchased in a foreign country, commodities, which, on being carried to the place, from

whence the gold was taken, exchanged for two hundred dollars, it was conceived, according to this theory, that the nation was impoverished to the amount of one hundred dollars. That the merchant was at the same time enriched by the transaction no one could have the temerity to assert. Hence, disregarding the mathematical axiom, that the whole is the aggregate of all its parts, attempts were made to distinguish between individual and national wealth, and voluminous treatises have been written to prove that "individual wealth is often national poverty."

Colonies have been maintained at an enormous expense, in order to compel their inhabitants to regulate their purchases and sales agreeably to the views of the metropolis, whose short-sighted policy generally resorted to measures, calculated to retard the progress of both countries. At the breaking out of our revolution, it was boldly maintained, that the exclusive enjoyment of the colonial trade was essential to the prosperity of England. To preserve this monopoly, millions of wealth and thousands of men were sacrificed. Yet with all these losses, how greatly did the ill success of the mother country contribute to her own advantage! Compare the gains of the petty colonial traffic, with the profits of the present widely extended and mutually beneficial commerce between the United States and Great Britain—a commerce equal to that which our country carries on with all other foreign states combined, and far greater than the trade of England with any other single power. So convinced, indeed, are the people of both countries of the happy consequences of the revolution, that if we can suppose, as an imaginary case, what it is hardly proper for a citizen of a great nation to do, that the United States should offer to become again an integral part of the British dominions, I do not in my conscience believe, that there is a single statesman in England, who would advise his sovereign to accept our allegiance.

In despite of the inferences which would flow from the ordinary commercial transaction, which we have just pointed out, and which is an illustration of the usual course of trade, by employing

money in common parlance as synonymous with wealth, and by following the nomenclature of the mercantile theory, in which exchange is said to be *favorable* or *unfavorable*, according as the tendency of specie is to flow in or out of the country, widely extended prejudices are created in support of the restrictive system. As these impressions can only be eradicated by an acquaintance with the laws, which regulate international commerce, they are likely to remain permanent in the minds of all, who have neither leisure nor opportunity for such investigations, that is to say, of the mass of the community.

That the imports including, of course, the precious metals must, on an average of years, exceed in value the exports is self-evident. The merchants of no country would carry on foreign trade, without deriving from it profits at least equal to those, which might be obtained from other branches of business, but the extent of the gains cannot be learned from custom-house returns. While such statements enable us to judge of the relative quantities exported and imported in different years, they afford very inadequate data, by which to compare the exports and imports with one another. In some cases imported articles are put down at the invoice prices of the foreign country; in others, an additional per centage is made to the original charge; while, in others again, especially where the *minimum* principle applies, an arbitrary price has been assumed as the rule by which the tables are formed. In the estimate of our exports, no regard is had to freight, which, as well that for the transportation of the raw produce, as of the return cargoes has, in our trade with foreign nations, been in a great degree monopolized by the skill of the American navigators. In England, so impracticable was it, long ago, conceived to be to ascertain the relative values of the commodities, which passed through the custom-house, that in the official lists, the prices of 1696, with a single exception, are preserved unaltered to the present day, and it is only within a few years, that tables of the declared values have been also published, as approximations to the true results.

As a consequence of the system, which we are now examining, even internal trade, which the restrictionists of the present day have absurdly attempted to oppose to foreign commerce, as if they were not branches of the same pursuit, was deemed altogether profitless to the state.

"All the exchanges which are made in a country," said the mercantilists, "all the sales, all the purchases which the English for example contract among themselves do not augment, by one *sou*, the specie of England. Consequently all the profits which are made by internal trade or industry are illusory. Individuals, indeed, are enriched but at the expense of others who are ruined; what one gains another has lost, and the nation possessing, after all these transactions, precisely the same number of crowns as before, is neither richer nor poorer, whatever may have been the industry of some, the idleness or prodigality of others."*

As Europe possessed scarcely any other commodities in request among the inhabitants of Asia, the East India trade could not be carried on without the exportation of gold and silver. It did not at first occur to those, who supported this trade, nor to the merchants, who required the precious metals as articles of foreign commerce, to question the principle, that the wealth of a country was to be estimated by its gold and silver. Munn, Child, and others admitting that it was the object of economical regulations, to obtain a favorable balance of trade, contended that this was not always best effected by a direct operation. The India business, they said, was advantageous by reason of the greater amount of gold and silver received from other countries, in return for the productions of the east re-exported to them.

Some enlightened merchants were, however, subsequently led to maintain that the precious metals were commodities partaking of the same nature with ordinary merchandize. By their representations, the laws against the exportation of foreign bullion were repealed in 1663; but the prohibitory enactments in relation to Bri-

* Nouveaux Principes d' Econ. Polit. par Sismondi, tom. 1. page 34.

tish coin were continued in force till 1819. By the early English writers on commerce much acute discernment is manifested, but they are too frequently carried away by the preconceived opinions, which were then regarded as indisputable. Hence their works exhibit, in general, glimmerings of light from amidst clouds of darkness. This remark, however, does not apply to the "Discourses on Trade" by Sir Dudley North, published towards the close of the 17th century. His general views would do honor to an Adam Smith or a Ricardo. Among the extracts given from his introduction by Mr. McCulloch,* we find the following propositions viz:

"That the world as to trade is but one nation or people, and therein nations are as persons.

"That there can be no trade unprofitable to the public; for if any prove so, men leave it off; and whenever the traders thrive, the public, of which they are a part, thrive also.

"That all favor to one trade or interest is an abuse, and cuts so much of profit from the public."

It would be premature to discuss, at this time, the peculiar properties, which belong to the precious metals as the standards of value, and the ordinary instruments of interchange, but it may be well to refer all those theorists, who attach a paramount importance to gold and silver, or confound the precious metals with wealth, to the reports of the Secretary of the Treasury on the commerce and navigation of the United States. They may there, without difficulty, trace the natural course of the bullion trade. Receiving annually a supply of gold and silver, varying from five to eight millions of dollars, in return for the foreign and domestic commodities exported to the mining regions and the neighboring islands, the United States have, until within a short time, shipped the largest portion of it to China and other parts of Asia. From these countries, they have obtained their peculiar products to be consumed at home, distributed throughout continental Europe, or employed in effecting exchanges with Mexico and

* McCulloch's Political Economy p. 40, 41.

South America for new supplies of the metals with which to recommence the circuitous traffic.

The following paragraph, which I chanced to meet with in the history of the Italian Republics, appears to me so apposite to the point now under consideration that I cannot refrain from here citing it.

"In the commerce carried on in the 10th century," says Sismondi, "between the Venitians and the other people of Italy, the former furnished all the manufactured commodities, and all the articles of luxury and received in return only the raw materials or the precious metals. The balance of trade, according to the system of those who now pretend to cherish commerce by loading it with restrictions, was consequently in favor of the Venitians, and always against the Lombards. But the trade of the latter was absolutely free, and such was the influence of liberty, such were for the Lombards the advantages of this pretended unfavorable balance, that in less than a century they accumulated capitals and rivalled the industry of their correspondents; their cities were filled with workshops and manufactories, and the most prosperous commerce triumphing over the disadvantages of an inland situation, animated all the transactions of trade."*

The commercial history of the United States is similar. Whilst the balance of trade was almost always against them, they were making the most rapid advances in wealth and general prosperity; though we sometimes hear those, who have acquired large fortunes, by sending specie to Canton and Calcutta, in exchange for the teas and muslins of Asia, exclaim against the ruinous character of a commerce by which they and their country have been enriched.

When other arguments fail, the practice of nations is adduced to support the mercantile theory. In the reflections on the motives, by which legislators are usually influenced, I have already shown why their acts should be received as doubtful authority.

*Républ. Ital. tom. I p. 385.

But it may well happen, that countries having bad economical laws, like individuals subjected to the treatment of ignorant physicians, may yet possess in the body politic sufficient of the *vis medicatrix*, not only to counteract their paralizing tendency, but to improve in health and strength. If Great Britain, owing to the comparative security of property and the perfect protection of private rights, was able, notwithstanding her heavy taxation and the restrictions on the freedom of her industry, to make advances in the sciences, and in the diffusion of the comforts and enjoyments of life, to an extent, which surpasses all that had been previously attempted in ancient or modern times, who can say, what would have been the result, had these obstacles to the accumulation of capital never existed !

Nor is the example of a people increasing in prosperity through an unfettered commerce, altogether a hypothetical case. Not to revert to the Italian republics, Holland when she received from abroad most of the manufactured and agricultural commodities, for which she had occasion, was the richest country in Europe in proportion to the extent of her territory, while the artizans of Geneva, without even a custom-house to impede the entrance of merchandize from foreign states, are enabled not only to defy all foreign competition, but to diffuse the most delicate commodities throughout the whole habitable globe.

Again, nothing is more usual than to hear it asserted that FREE TRADE is impracticable, unless all nations will simultaneously agree to adopt its principles. As in every state of society at all advanced, there is no direct barter, but buying and selling are distinct transactions, I cannot well perceive, why it is more important, that we should sell our products to the same nation, from which we buy our foreign articles, than that a tailor should decline purchasing shoes from a shoemaker, unless the latter would agree to take coats from him in payment. As we can never buy without having something to give in exchange, which will be accepted as an equivalent, it is sufficiently evident that the refusal of one nation to receive the commodities of another, must either lead to

the suspension of all intercourse between them, or to the establishment of a circuitous trade analogous to the transactions, which take place in the interior of every country, where the business of commerce is distributed among the various classes of dealers. But as I know that more weight is commonly attached to the conclusions of those, who have been practically conversant with the matters, of which they treat, than to opinions formed in the closet, I will read a sentence from the petition, presented in 1820, by the merchants of London to the parliament of Great Britain. After stating that if one class of producers is protected, every other is equally entitled to the same legislative favor—a course, which, if adopted, would counteract itself, so far as respects the benefits intended to be conferred; and showing that the same argument, which would exclude or trammel foreign trade, "might be brought forward to justify the re-enactment of restrictions upon the interchange of productions (unconnected with the public revenue) among the kingdoms composing the union, or among the counties of the same kingdom," the memorialists proceed to say, "That although as a matter of mere diplomacy, it may sometimes answer to hold out the removal of particular prohibitions, or high duties, as depending upon corresponding concessions by other states in our favor, it does not follow, that we should maintain our restrictions, in cases where the desired concessions on their part cannot be obtained. Our restrictions would not be the less prejudicial to our own capital and industry, because other governments persisted in preserving impolitic regulations."

As it is not unfrequently urged in defence of the high duties, imposed here on the manufactures of England, that they are retaliatory of the corn laws of that country, it may be well to state one fact, which will serve to remove that plausible argument against salutary reform. A reference to the tables of Mr. Jacob, who made, as is well known, a thorough examination into the prices of wheat in the different ports of the commercial world, will fully shew that, in the event of a free trade or permanently low duties being adopted by England, no portion of her foreign supply

of corn would, until a great change took place in the situation of the world, be received from the United States. But as the scale of duties in the act of 1828, which falls as prices rise, only practically admits of an importation in seasons of scarcity, no large surplus is raised in Poland, Denmark, and the other corn growing countries of Europe to provide for a remote contingency. We, therefore, have by the existing arrangements opportunities of occasionally contributing to the necessities of the English market, which we should not enjoy under other circumstances. So that injurious as are the corn laws to Great Britain herself, and to the wealth of the world, they are to us rather beneficial than otherwise.

But amidst all the evils resulting from the mercantile theory, and as an incidental compensation for some of the mischief, which it has effected, we may perhaps ascribe to it the discovery of our continent, an event, which has totally changed the condition of the civilized world. However much the great navigator himself might have been actuated by a lofty ambition, it was literally the *auri sacra fames*, it was the magical power attached to the precious metals, which led the sovereigns of Arragon and Castile to sanction his enterprize, and induced the mariners who accompanied Columbus, to incur the then unprecedented perils of an Atlantic voyage. The motives, which subsequently actuated the Plymouth pilgrims, had at that time no existence, nor would the rich crops of the tropics, or the extensive regions of fertile land, with which the more temperate climes of our continent abound, have had much influence on the adventurers of the 15th century.

In Italy several distinct branches of Political Economy were early investigated with great skill; and for that classic land even the honor of laying the foundation of the science has been asserted.* But to compare the respective claims to originality, of the

* The works of the Italian Economists have been collected and published in fifty volumes, under the title of *Scrittori Classici Italiani di Economia Politica.* A copy of it is to be found in the library of Columbia College.

early economists of different countries, would lead to discussions unsuited to the present undertaking.

By the cultivation of ethics and natural law, much was done to prepare the way for the science of Political Economy. Dugald Stewart, indeed, says, that we are indebted for its introduction to the school of which Grotius and Puffendorf are still the most distinguished ornaments.

Montesquieu's "Spirit of laws," which was published in 1748, continues to hold a high rank among the books on Political Philosophy; but, though looking to the period at which it appeared, and the country in which it was written, the friends of liberal and enlightened doctrines have every reason to be grateful for the manner in which the talents of the author were employed, the economist cannot pronounce on his work an indiscriminate eulogy.

To M. de Gournay, an eminent merchant, called to the office of Intendant of Commerce, in 1751, Turgot ascribes the origin of Political Economy in France.

Assuming as the fundamental principle of his system, that in a free commerce, the interest of individuals and of the community must always coincide, M. de Gournay concluded, "that the sole duties of government with regard to commerce, are first, to render to all branches of industry that precious liberty, of which the prejudices of barbarous times, the proneness of governments to lend themselves to the gratification of individual interests, and the pursuit of a mistaken good had deprived them; secondly, to facilitate the exercise of industry and ingenuity to every member of the community, in order thereby to excite the greatest competition among sellers, which is the surest means of securing to the purchasers the greatest perfection and cheapness in the commodities sold; thirdly, to admit the greatest competition among buyers, by opening to the seller every possible market—the sole means of encouraging reproduction, which hence derives its only reward; and in the fourth place, to remove every ob-

stacle, by which the progress of industry is retarded, by depriving it of its natural reward."*

Among those whom the investigations of Gournay induced to speculate on the sources of national wealth, and contemporary with him was Francis Quesnay, physician to Louis 15th, who became the leader of a philosophical sect, which embraced the first talents of his own and the subsequent age. The economists did not confine themselves to inquiries into the nature of wealth. Their services were of the most beneficial character, and to them we are indebted for many sound and liberal views of the social system. The distinctive errors of this school of Political Economy may in no small degree be accounted for, by their failing to arrive at the true theory of rent. They conceived that as agricultural industry alone gave a return to those, who were neither capitalists nor laborers, it was exclusively productive of wealth, and as a consequence deduced from their theory, they contended that all taxes, however imposed originally, must ultimately fall on the land.

" The source of riches, the economists said, is not in commerce, because it limits all its operations to conveying from one place to another the products of the soil or of industry ; it is not in the mechanic arts, because they only give form to the productions of the earth, without any addition to their quantity, and the products of these arts have no other value than that of the productions of the earth employed or consumed by them. The earth alone is the true source of riches, because it reproduces a greater quantity than has been consumed to effect the reproduction. This excess of reproduction, this *produit net* is the sole fund, which really increases the riches of the nation. As a necessary consequence, agricultural labor is alone productive ; all other kinds are sterile or unproductive. The excess of production, being a gratuitous favor of the earth, ought to belong to the proprietors of the land ; they alone can dispense it to the other classes of society, and this

* Œuvres de Turgot, tom. 3. p. 345.

distribution gives to them the character of payers of wages, and to those who obtain it the character of receivers of wages. As an inference from his principle, the proprietors of land—those who pay the wages, ought alone to participate in the government. Finally, the net produce being the only disposable riches, the public revenue must be composed of a part of this produce and all public contributions should be founded on a single impost levied on the produce of the land."*

Esteeming money only as an instrument of circulation, the economists maintained, that the public good required, that no obstacle should be interposed to the cultivation of such branches of industry as each individual might prefer—that without entire freedom of occupation, no department of human labor could prosper. This liberality, contrasted as it was with the restrictive principles of the mercantile theory, gained many converts among enlightened men. As Colbert, under Louis 14th, had depressed agriculture by the preference given to commerce and manufactures, Turgot, the minister of Louis 16th, zealously embraced the agricultural system, and though his basis was in some respects erroneous, a clear mind applied to the investigation of practical questions. led him to the adoption of many beneficial changes in the public regulations. Improved as the science now is, the works of Turgot, especially his "Essay on the formation and distribution of riches," are still worthy of a careful perusal.

Having spoken of Turgot it is proper also to allude to one of his contemporaries, whom, if he were less worthy of consideration on his own account, the space which he fills in the eventful history of Louis 16th, and the relation in which he stood to the most eloquent of women, would preserve from oblivion. Necker, like Gournay, had employed his early years in commerce, and was, as well as the individual referred to, raised by his reputation for practical talents to the most honorable public stations. In his writings, he exposed some of the fallacies of the

* Storch. Cours d'Econ. Polit. tom. 1. p. 106.

physiocrats, as the economists were, on account of their leading principles, denominated; but he was not able to anticipate those modern discoveries, which have given to the science of Political Economy an entirely new character. As his grandson and biographer remarks in extenuation of the erroneous views in Necker's "Treatise on the commerce and legislation of corn," "Malthus had not then invented that theory of rent, which Ricardo has developed and Torrens applied to the corn trade."*

When we consider the old French system of finance, the gifts and bribes of all descriptions received by the ministers from the subordinate functionaries, supplied as they were by extortions from the people,—when we regard the large class of individuals exempted by their noble birth from the operations of equal taxation,—when we call to mind the small proportion of the contributions levied, which ever came into the national treasury, and the monopolies and exclusive privileges of every sort conferred on courtiers as favors which cost nothing, and at the same time advert to the influence, which these circumstances had in bringing about the downfal of the Bourbons, we shall be inclined to think, that Political Economy is no useless study even for the absolute rulers of nations.

During the French revolution, the minds of philosophers and statesmen were too much occupied by pure politics, by an investigation of the organic laws of society, and the distribution of the powers of government, to afford leisure for the discussion of subjects whose bearing on the great interests of the country was not immediate and direct.

That many advantages indirectly resulted from Napoleon's ambition cannot be doubted. But, however we may approve of the abolition of the feudal rights of the petty princes of Germany, whatever may be our admiration for the splendid routes of the

* Notice sur M. Necker par M. le Baron de Stael Holstein—Œuvres de Necker, tom. 1. p. 19.

Simplon or Mount Cenis, or for the establishment of an unrivalled code of jurisprudence, the Political Economist is compelled to admit, that the good arising from the imperial sway was only incidental, while those regulations, which involved economical considerations, were founded upon the most unsound principles. On the throne, Bonaparte, like Lewis 14th, considered his own glory the chief end of a monarch's ambition, and his abstract opinions, while in exile, were such as legitimate sovereigns could not have failed to approve.

To prevent speculations adverse to his policy, Bonaparte suppressed the class of moral science in the Institute. The causes however, which had operated during the revolution, and to which we have alluded, having ceased to exist and it being no longer safe to be occupied about theories of government, some men were again found to direct their attention to those truths, which are applicable to all ages and countries. Among them may be named as best known in the United States, De Stutt De Tracy and J. B. Say, the author of a Treatise, the reputation of which is too widely diffused to require any enconium.* During the period, when it was dangerous to speak of civil liberty, M. De Tracy prepared and sent for publication, to use his own words, "to the man of the two hemispheres, whom he respected the most," our illustrious Jefferson, a commentary on Montesquieu, adapted to the institutions of our country. In examining the great work before him, the reviewer has successfully combatted several erroneous principles of Political Economy. In his Ideology, De Tracy considers our science at large, and the part of his treatise, which relates to it, was translated under the auspices of the distinguished individual, to whom we have already referred. As to the peculiar views of this writer, I can here only observe that, as might be expected from the near connection of La Fay-

* Four editions of Say's Political Economy, with valuable notes, have been published in Philadelphia, by Clement C. Biddle.

ette and the chosen friend of Jefferson, his principles are throughout of the most liberal character.

In many matters of a purely internal nature—in the modifications of the usury laws, by which only the excess over the legal or conventional interest is avoided, the general regulations for the formation of limited partnerships and *sociétés anonymes*, and in the abolition of the *jurandes* and *maîtrises*, France has adopted economical improvements, some of which are in advance of England, and of most of the states of our Union. Something was also done by Louis 18th, and his unfortunate successor, to extend commerce by the conclusion of treaties, as well with the neighboring powers of the continent, as with England and the United States. But for most purposes the prohibitory principles have had full operation. The continental system of Napoleon had created many vested interests, which all the administrations, previous to the last revolution, sustained to an extent which left no room for the complaints of the restrictionists. Those who were engaged in the notable schemes of making sugar out of beet root, and rendering fuel scarce by consuming in furnaces for smelting iron ore the scanty supplies of the French forests, were the particular favorites of government. One of the effects of the protection accorded to the domestic manufacture of iron, was that wood was trebled in price in Champagne in the course of five years, having risen from three to nine francs a cord, from 1821 to 1826. The prohibitions on the products of countries contiguous to the land frontier of France, reduced by the events of 1814 from one half of Europe to her ancient limits, resulted in consequences, which might have been anticipated from the known policy of nations. The Netherlands, Switzerland, and Germany, not only imposed countervailing duties of a restrictive nature, but as they wanted, through the measures adopted by the French Government, all convenient markets for the sale of their produce and manufactures, their subjects were incapable, amidst this useless sacrifice of wealth, of purchasing the silks of Lyons, or the wines of Bordeaux. The distress to which numerous classes of merchants, manufacturers, and agriculturists

were thus subjected by the loss of their best customers, and by the diversion of capital to pursuits, that could not be sustained without legislative protection, led in 1828, to the appointment of a commission to revise the entire commercial code of France.

But the report, which was the result of the labors of this body, considers the *customs* not only as a tax, but as an instrument of administration and declares that the amount of their pecuniary produce is a matter of secondary importance. It even discusses the means of obtaining a favorable balance of trade.

From these premises it may readily be supposed that the commission came to the conclusion that no important change should be made in the tariff of duties. It is therefore reserved for the ministers of regenerated France to carry into effect those principles, which have always been espoused by many influential members of that party in the state, to which the reigning family owes its elevation to the throne.

Our limits will not permit us, in returning to England, to go back to Steuart the champion of the mercantile theory, nor to point out our obligations to Hume, Berkeley and others, who elucidated several important branches of Political Economy.

Adam Smith was appointed professor of Logic in the University of Glasgow in 1751, and in the succeeding year was transferred to the chair of Moral Philosophy. When called to the latter office, he divided his subject into four parts, in one of which, "he examined those political relations, which are founded not on the principle of *justice*, but on that of *expediency*, and which are calculated to increase the riches, the power, and the prosperity of a state." The lectures on this branch formed the basis of the "Inquiry into the nature and causes of the wealth of nations," and were pronounced six years before Quesnay published his economical table. After having spent a considerable time in the discharge of his collegiate functions, and being able, as we are informed by his distinguished biographer,* "to rank some very

* Dugald Stewart.

eminent merchants among his proselytes," Dr. Smith went, under peculiarly favorable circumstances, to the continent, where he enjoyed the intimate acquaintance of Turgot, Quesnay, and Necker.

"The Wealth of Nations," was published in 1776, the year of our independence; and thus, by an extraordinary coincidence, the principles of commercial freedom were promulgated by the Scotch philosopher, at the same time that those of political liberty were announced to the world by the sages of the American Congress. In opposition to those who make wealth consist exclusively in gold and silver, as well as to the economists, who regard the earth as the only source of riches, Smith considers labor as the foundation of value. He, however, gave to this principle, which has since been shown to be of universal application a limited operation, confining it to the period of society, which precedes the appropriation of land and the accumulation of capital. The importance of a division of labor, in increasing the aggregate of production, is traced with a masterly hand, and the tendency to equality in the wages and profits of different employments is fully explained. Smith shows that the best means to promote the prosperity of a people is to pursue that course, which the self-interest of individuals points out, and notwithstanding his preference for particular branches of industry, he maintains that it can never be advisable to influence the removal of capital or labor from one pursuit to another, by any extraordinary encouragements or prohibitions on the part of government. The mercantile system had favored commerce and manufactures in preference to agriculture, and foreign to the prejudice of the home trade, and it is the nature of man, when correcting abuses, to be carried from one extreme to another. This may account for Smith's considering some branches of industry more beneficial to the state than others—a position entirely at variance with the great doctrines of his theory, but of which undue advantage has sometimes been taken by writers, who have no principle in common with the author of "The Wealth of Nations." His strong

leaning to the opinions of Quesnay, and the view which he took of rent, as one of the constituents of price, led him, also, to regard agriculture in a particularly favorable light. In the superiority, which he accords to the home over foreign trade, and to the latter over the carrying trade, he neglects the important consideration, that the quantity of productive industry, which a country supports must always be in proportion to its capital. Consequently, if in the home trade double the amount of domestic industry is employed to effect a given result, compared with what would be set in motion by the same extent of foreign trade—the domestic capital must likewise be doubled. If, furthermore, the returns of capital, engaged in the foreign trade, are received at longer intervals, they are, when obtained, proportionally larger.

But, although subsequent writers have removed some of the errors, which the received opinions caused Smith to overlook, and have explained other phenomena, for which he failed to account, no one can peruse "The Wealth of Nations," without admiring its clear expositions of a subject, which, before its appearance, could scarcely be said to have had an existence as a science.

About the close of the last century, Mr. Malthus published his first work. The principle that population has a tendency to outstrip the means of subsistence was very forcibly illustrated by a reference to the existing condition of every portion of the globe. The true cause of rent, viz, that it depends on the diminishing fertility of land, was pointed out by Dr. James Anderson, of Scotland, the author of several agricultural treatises, as early as 1777 ;* but the effect of the principle on the theory of national wealth seems not to have been noticed, till the nearly simultaneous publications, in 1815, of Mr. Malthus and Sir Edward West.

The merit, however, is not so much due to him, who makes a discovery, as to the person who successfully applies it to a practical end, and it is Mr. Ricardo, who has shown, that the fundamental propositions of Political Economy are susceptible of the accuracy of mathematical demonstration.

* See Edinburgh Rev. No. 107. p. 91.

I shall not detain you by dilating on the peculiar claims, which this profound reasoner and practical man of business has on the attention of young gentlemen, about to embark in the pursuits, for which most of you are destined. The character of Ricardo has been recently pourtrayed in this place by one of the classic authors* of our country, and any remarks from me might weaken, but could not add to the force of the just eulogium, pronounced by my honorable associate.

The developement of Mr. Ricardo's theory will occupy us at our next meeting. At present it may suffice to observe, that he has shown the nature of exchangeable value—the connection between profits and wages, and pointed out the manner in which they are both affected by rent. These principles he has applied to taxation, foreign trade, and other subjects of general interest. The laws regulating the currency were thoroughly investigated by him, and even those statesmen, who have been most inclined to deny the inferences from Ricardo's principles in other cases, admit the conclusiveness of his reasoning in this branch of Political Economy.

Mill and McCulloch have elucidated the doctrines of Ricardo, while some of the expositions of Torrens lay just claim to originality.

I cannot too highly recommend to your notice the recent works of Mr. Tooke, a banker of London, who shews, in the application of the Ricardian theory to commercial revulsions, a power of analysis, in which he is not surpassed by his great master. The subjects, too, on which he descants—the causes of high and low prices, afford the best illustration of the truly practical character of this science.

The Edinburgh and Westminster Reviews contain many very able economical essays, some of which are from the pens of the individuals already particularly named; and though the Quarterly Review formerly stigmatized "The Wealth of Nations" as "a tedious and hard-hearted book," and declared

* Mr. Verplanck.

Mr. Malthus's reputation to be "disgraceful to the age," it has long since united with its more liberal contemporaries in extolling Adam Smith, and now only resists those discoveries of later economists, the application of which to practical legislation would be adverse to the interests of that aristocracy, whose zealous champion it ever has been.

In several European seminaries of learning, Political Economy has formed a prominent branch of study. In Paris, Say, under the sanction of government, has for many years delivered lectures to several hundred students, and if this science be not yet the subject of a distinct chair at the Sorbonne, it was at no late period very often incidentally brought to the notice of the ingenuous youth, who were attracted to the University, by the eloquence of those unrivalled lecturers, Cousin, Guizot, and Villemain. The Germans, who have left no department of knowledge unexplored, have established professorships in many distinct branches of economical science; but though numerous volumes relating to these subjects are to be found at all their fairs, no writer among them has, as far as I am aware, duly appreciated or developed the great discoveries of the last few years.

The best continental treatise on Political Economy is the course of lectures prepared for the instruction of the Emperor Nicholas and the Grand Duke Michael, and originally published at St. Petersburg, at the imperial expense. It is not only valuable for its sound principles, but it contains much important statistical knowledge respecting Russia, as well as a vast collection of facts with regard to the moneys of different nations. The views of Mr. Storch are expressed with great independence, though he thinks it necessary to remark, in his preface, that, "In a country under an absolute government, and among a people strongly attached to their national habits, a writer is obliged to observe a great deal of caution, if he does not wish to injure the cause of reason, instead of benefitting it."

A recent work by Mr. Schalmz, a privy councillor of his Prussian majesty, and which is dedicated to the Prince Royal is, as far

as I can judge from the extracts that have fallen under my observation, like the productions of the French economists—the school to which he belongs, decidedly favorable to the principles of Free Trade. This treatise is said to have had no little influence in inducing Prussia to adhere to that enlightened course of commercial policy which she has constantly maintained since the last peace, in spite of all provocations to the contrary from the neighboring powers, and which contrasts so honorably not only with the barbarous systems of Austria and Naples, but with the legislation of states, where political freedom is supposed to exist in the fullest extent, consistent with personal security.

Chairs of Political Economy are now established at Oxford and Cambridge, the former by the munificence of an individual. Mr. McCulloch is employed in inculcating the principles of Ricardo in the University of the British metropolis, while, in the rival institution of King's College, arrangements have been made for engaging the services of Mr. Senior, to whose lectures, as professor at Oxford, we are indebted for a valuable accession to our libraries of Political Economy. The place of Mr. Senior at the ancient seat of learning was supplied by Dr. Whateley, well known as one of the acutest minds of the age, and who has been raised by the present enlightened and liberal ministry to one of the highest dignities in the church.*

Associations have also been formed in many parts of England for the discussion of economical questions, and during my residence in that country, there were two clubs for this object, the monthly meetings of which were frequented not only by the Mills, the McCullochs, the Malthuses, and other professed votaries of Political Economy, but by many distinguished members of parliament, as well as by the great bankers and merchants of London.

Among those, who had particularly distinguished themselves in these societies was a young man,—a partner of a commercial

* Archbishopric of Dublin.

house, who, about the period of my arrival in England, was returned for the first time as a member for Dover.

I chanced to be in the house of Commons on the evening of the seventh of May, 1827, when the treaties with the northern powers, by which terms of reciprocity as to navigation had been established, were assailed with the greatest virulence. On the mover of the resolutions, (who was no other person than Mr. Huskisson's colleague from Liverpool, General Gascoigne,) resuming his seat, he was replied to by a member apparently a stranger to most of those who heard him; but whose acquaintance with facts, and knowledge of the principles by which they were to be tested, left the minister little to do, in order to consummate a victory. On visiting the following day the foreign office, and alluding to the discussions to which I had listened, I was assured, that so unexpected to Mr. Huskisson was the succor which he had received, that, before complimenting the *honorable member* for Dover for "the extraordinary degree of knowledge and acuteness," which he had manifested, he was obliged to inquire from persons near him the name of the place, which his new friend represented. Yet, in less than four years from the delivery of his maiden speech, was this young merchant called to fill in the ministry of England the seat which had been occupied, and at no remote period, by a Huskisson, and a Grant.

I have made an allusion to Mr. Poulett Thomson,* for the double purpose of adding another bright name to the list of practical merchants, who, while engaged in the acquisition of wealth, have not deemed an examination of the principles, by which their operations are regulated, unworthy of serious attention, and of repudiating a charge, which would call in question the sincerity of the English advocates of free trade.

Looking to the superiority of the English in many branches of manufactures, where of course protecting duties are unimportant—

* Right Hon. Charles Poulett Thomson, Vice President of the Board of Trade, and Treasurer of the Navy.

the proper caution observed in interfering with vested interests, and the permanent motives, which the landlords,—a class possessing preponderating influence with the legislature, have to keep up rents by preventing the introduction of foreign corn, it has often been supposed, that the changes made in the commercial code by the consolidated statutes of 1825, were rather specious than real. But, assuredly, in the reciprocity acts of 1823-4, in the prospective reduction of the duties on silks, in the manufacture of which England has no natural advantage, in the alteration from prohibition to a protecting duty in the case of bread stuffs, in the repeal of the combination laws and statutes as to apprentices, enough was done to prove that the assent of ministers to liberal doctrines was not merely nominal. Lord Liverpool, while admitting most fully in 1820, the advantages of free trade, objected to its immediate introduction, by the fact that England "had grown up under, though in *spite of*," to borrow his language, "a system of restrictions from which it was impossible hastily to depart. In the actual condition of our affairs," he added, "with our present load of debt and taxes, an immediate recurrence to first principles would unsettle the value of all property. Our laws with respect to agricultural produce alone throw an insurmountable obstacle at present in the way of complete freedom of trade."

It is only just to observe, that in England, so far from duties being levied on foreign imports, to an extent beyond what is required by the wants of the Treasury, the receipts from the customs do not exceed one-third of the revenue of government, and are even less in amount than those derived from the excise.

Canning and Huskisson never pretended that their patriotism was lost in a universal philanthropy, and in the course pursued by them in relation to the colonial intercourse, the United States had just ground of complaint. They were however sufficiently enlightened to perceive that, by emancipating commerce from many of its shackles, they were adopting the surest means of furthering the interests of their own country, and the motives, which actuated their conduct, constitute no argument for disregarding the testimony, which their measures bear in behalf of Free Trade.

Deriving their laws and institutions from England, it was natural that the opinions of our ancestors should, in general, coincide with those of the mother country, and before the revolution there was little room for investigations, the result of which our dependent situation would in most cases, have prevented our applying to practical legislation. Though the barbarous laws of Spain, which made it a capital offence for her colonists to carry on trade with foreigners, could not, to their full extent, find a place in a British code, yet England maintained towards this country the strictest monopoly. Many articles of our produce could be sent to the parent state alone, the rest could be exported only to those countries, which lie south of Cape Finnisterre, and no shipping but that of Great Britain or the plantations could be employed. In several cases, the manufactures of the colonies could not be sent from one province to another, and England assumed to herself the right of supplying all goods, which might be wanted from Europe.

Though it was the interference of the mother country in internal taxation, which led to our revolutionary struggle, and though the right to regulate foreign trade was conceded to her, the disadvantages, under which the commercial restrictions placed America, could not have failed to arrest the attention of the founders of our independence.

The titles of several tracts, in which particular grievances are discussed with great ability, will be found collected in a note to Professor McVickar's edition of McCulloch's Political Economy.* Franklin, a philosopher, scarcely less acute in moral than in physical science, clearly pointed out the injurious tendency of colonial regulations. He showed that though they are in the nature of secondary taxes, they are equally burthensome with the most direct contributions. The aphorisms of the American sage contain, indeed, a refutation of the mercantile theory, which may well

* Outlines of Political Economy, p. 44.

be recommended to the notice of those, who would be deterred from examining the abstruse speculations of a Ricardo.

The nature of our institutions and the demand, which has prevailed for intellectual, as well as other labor in the ordinary pursuits of life, has, since the revolution, hardly afforded an opportunity for the existence of a class exclusively devoted to scientific investigations. We accordingly find, that what has been written in relation to such subjects, has in general been intended to subserve some temporary purpose. Many economical questions have been debated with great ability in our legislative bodies, though we cannot claim for their ordinary discussions any peculiar exemption from prevailing errors. Some of the reports made by the Treasury to Congress, particularly those, which emanated from Hamilton and Gallatin, would do honor to the Finance Ministers of any country. To the venerable survivor of these illustrious statesmen, whose thorough knowledge of the principles of science, as well as intimate acquaintance with every branch of the commercial system, not only of this, but of all countries, gives to his opinion an authority, which attaches to that of no other individual living, we are indebted for a treatise, having for its object the perpetuation of a sound currency, and the avoidance of the manifold evils of an irredeemable paper money.

In the same able periodical,* in which Mr. Gallatin's article on currency first appeared, as well as in the Quarterly Journals, published at Boston† and Charleston,‡ will be found other essays, which will honorably compare with the discussion of similar topics in the European Reviews; and as the economical views of these two last named publications are decidedly opposed to one another, the intelligent reader may obtain from their perusal the principal arguments, which occur in the examination of the practical questions, from time to time, presented to the consideration of the American public.

* American Quarterly Review. † North American Review.
‡ Southern Review.

We have followed the example of Europe, in according to Political Economy a place among academical studies. The respectable college of our city has made lectures on it a part of its regular course, nor has the reverend and learned gentleman, to whom the subject is assigned, confined his usefulness to the ordinary duties of a professorship. Besides publishing several original treatises on important branches of that science, he has made accessible to the general reader more than one of the valuable articles, which are collected in that storehouse of knowledge—the supplement to the Encyclopedia Britannica.*

The new university also, which proposes a course of instruction more extensive than that of our ordinary collegiate institutions, has placed the science of Political Economy among the studies of primary importance, and has already made provision for a course to be delivered this winter by a professor of established reputation.† In many of the colleges of the Union a text book on Political Economy is used, and at some of them, particularly at Providence, Princeton, Charlottesville, Columbia, and the ancient Seminary of William and Mary, the students enjoy the advantage of lectures from masters of the science.

By our political system most subjects, other than those connected with foreign commerce, appertain to the local legislatures. The modifications, which the original states have made in the laws derived from the mother country, have ordinarily been in those branches, which relate to penal jurisprudence, or to the establishment of more efficient remedies for the protection of existing rights. These laws, and, indeed, all legislative enactments must have a bearing on the accumulation of wealth; but in most of the states statutes against usury, and in several of

* Among the writers who contributed to the suppliment to the Encyclopedia Britannica, which was completed in 1824, were Dugald Stewart, Sir Walter Scott, Mr. Jeffrey, Professor Playfair, Mr. Ricardo, Mr. Mill, Mr. McCulloch, and others of equal reputation.

† Professor Vethake of Princeton.

them poor laws remain in force. While we were without the salutary restraint of a national institution, the most chimerical experiments in currency were also made in some parts of the union by the emission of irredeemable Bank notes to an incalculable extent, and monopolies, in the form of charters of incorporated companies, for all kinds of objects still continue to be given to the favorites of the legislatures with no less liberality, than they were conferred, in the olden times, by absolute monarchs on their courtiers.

We have had, during the recent inclement weather, an illustration of the ignorance generally prevalent in the community on the most ordinary topics, connected with Political Economy. The most violent invectives have been indulged in against the dealers in coal, because they advanced their prices, so as to regulate them by the probable increased demand and diminished supply of the article. The interest of the inhabitants of the city in general and particularly that of the poorer classes imperiously required the course which they pursued. By raising the price, greater economy of consumption was induced, and every temptation held out to the proprietors of fuel at a distance to furnish additional quantities, even at an extra charge for transportation.

In all the early proceedings of the Federal government, reciprocity was a favorite principle. The first secretary of state in his report on the commercial intercourse of the United States, strongly recommends perfect freedom of trade, without regulating laws, duties, or prohibitions with all powers, that would adopt that rule, while as a means of coercing other nations to pursue the same system, he proposed to meet restrictions by countervailing regulations. The latter alternative, the wisdom of which must, as we have seen, depend on the probability of its efficiency, was often resorted to by us, during the wars growing out of the French revolution, in retaliation for the hostile acts of the belligerents.

In 1815, a proffer was made by act of Congress to all nations to do away all discriminating duties on the tonnage of vessels,

and on the goods imported therein, being the produce or manufacture of the country, to which the vessel belonged. In the same year a treaty founded on this act, for which England then had no precedent, except in her relations with Portugal, but which she has since made the foundation of a general system, was concluded between the United States and Great Britain. Many other conventions of a similar, and some of a still more liberal character, have subsequently been entered into by our government; nor are foreign vessels confined to the direct trade between their own country and the United States except, as in the case of England, in retaliation for a similar provision, in their own navigation laws.

The total abrogation of the protecting system, so far as regards shipping, unless as a countervailing regulation, has been noticed; but the revenue acts have always continued to be framed with a view to the sustaining of certain interests, both agricultural and manufacturing, which it was supposed could not, without the aid of high duties, maintain a competition with the rival industry of other nations. In consequence of these regulating acts, capital which would never voluntarily have sought such investments, has been attracted to the privileged employments. By the extinguishment, however, of the national debt, the motive for continuing to collect the present amount of revenue is about to cease. The grave question is, therefore, now presented to the consideration of the Representatives of the people, how to modify the tariff, so as on the one hand to pay due attention to vested interests by making all important changes gradual; while, on the other, they relieve consumption from all unnecessary burdens, and render the *duties* and *imposts* uniform throughout the United States, according to the true spirit as well as letter of the constitution.

But—our present business is with Political Economy, with the *leges legum*, with the general rules to which all human laws ought to conform, not with particular acts of legislation nor the

interpretation of written constitutions. The great principles of the Ricardian theory, which we hope to be able, in some measure, to elucidate are equally applicable to the laws of France, the ukases of Russia, the statutes of England, and the acts of American Congress. After calling your attention to them, a few reflections on the momentous question now before the country may aptly find a place, at the close of our ensuing lecture.

LECTURE II.

THE RICARDIAN THEORY.

In giving in our last lecture a cursory sketch of the objects and history of Political Economy, we were obliged to assume, as conceded, some of the fudamental principles of the science. It will be our business, this evening, to state the theory of Ricardo, by explaining the nature of exchangeable value, including the distinctions between it and price, and between the permanent and market prices of commodities,—the laws which regulate profits and wages, and the causes which determine the existence and amount of rent. Though this arrangement will necessarily confine me to a mere incidental notice of some of the great practical questions, to which Political Economy may be applied, I am yet induced to adopt it, as the one most likely to accomplish the object in view—the rendering of my portion of this course as useful as I am capable of making it, to those to whom I am indebted for the honor of being associated in a very agreeable task with gentlemen, whom any American might be proud to recognize as colleagues. The plan proposed will, at least, serve to remove from the minds of those, who are disposed to engage in the study of Political Economy, those preliminary embarrassments, which the necessity of acquiring a knowledge of definitions is apt to occasion, and will prepare them for the perusal of those elaborate treatises, to which I have already taken the liberty to call your attention.

"A man is rich or poor" says Adam Smith "according to the degree, in which he can afford to enjoy the necessaries, conve-

niences, and amusements of human life." As however these necessaries, conveniences, and amusements are susceptible of all possible variations, according to circumstances, no statistical data can enable us to estimate the relative riches of two nations. We might ascertain the quantity of precious metals possessed by the whole population of Illinois, and by an equal number of the inhabitants of London, or even the money price of all the commodities of every sort and kind belonging to them respectively: yet, this assuredly would afford us no criterion by which to judge of the relative degree in which the people of these remote places, commanded the necessaries, conveniences, and amusements of human life.

The utility of particular commodities depends altogether upon the attendant circumstances, under which they are possessed. The productions of different climates and soils are extremely various, and it sometimes happens, that those things, which are generally spontaneously bestowed by nature, can only be obtained as the result of great exertions. Thus, while some countries are plentifully furnished with copious springs of water, in others it is necessary to construct aqueducts and reservoirs at a vast expense. What in one part of the world is an object of intense desire is elsewhere disregarded. In a northern climate furs are almost a necessary part of a man's apparel; fuel is indispensable. Within the tropics these articles would be wholly useless. Even the food required for the support of the human constitution is far from being the same in every portion of the globe. In the same community a commodity may be useful or not—may afford comfort or give pleasure to an individual according to circumstances. There cannot, then, in the nature of things, be an approximate calculation of the absolute utility of commodities, while the relative benefits conferred by them, must vary with fortunes, tastes, and caprices.

We may form a conjecture of the riches of a nation, by the general condition of a people, but neither moral results, nor the utility of commodities are susceptible of being accurately measured or compared.

It is however, not of utility, or the moral value but of the exchangeable or physical value of commodities that we are to speak; and from the view we are about to take of value, we can incur no risk of its being deemed synonymous with riches or wealth.

It is labor which is the foundation of all value. The air which we breathe is essential to animal existence; yet, as it requires no toil to obtain it,—nothing acquired by human industry to be given for it, it is destitute of all exchangeable value. Water is only valuable in the sense of Political Economy, when it costs labor to procure it, and it is then measured not by the degree in which it contributes to our support, but by the labor expended in obtaining it. Hence every improvement, which facilitates production reduces the value of commodities, at the same time that it renders them more accessible to the the mass of the community. While the comforts and conveniences of life were almost infinitely multiplied by those great benefactors of mankind, the Whitneys and Fultons, the Arkwrights and Hargreaves, the labor required to procure commodities, and consequently the exchangeable value of them, was, by their inventions, proportionally diminished.

The paramount influence of labor in the production of wealth was alluded to by Mr. Locke, and more recently by Galiani and Turgot, but it was Adam Smith, who showed it to be the regulator of value. "The real price of any thing," says he, "what every thing really costs to the man, who wants to acquire it, is the toil and trouble of acquiring it. What every thing is really worth to the man, who has acquired it, and who wants to dispose of it, or exchange it for something else, is the toil and trouble, which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is purchased with labor, as much as what we acquire by the the toil of our own body. That money or those goods indeed save us the toil. They contain the value of a certain quantity of labor, which we exchange for what is supposed at the time to contain the value of an equal quantity. Labor was the first price, the original pur-

chase money, that was paid for all things. It was not by gold or by silver, but by labor that all the wealth of the world was originally purchased."

But—we are not to confound the labor realized in a commodity with that which it will purchase: the former is a constant, while the latter is a variable quantity. This distinction escaped, in the quotation which we have just made, the observation of Smith, who considers the value of any commodity to its possessor to be "equal to the quantity of labor which it enables him to purchase or command." The point is however fully elucidated by Mr. Ricardo. "In the same country," says he, "double the quantity of labor may be required to produce a given quantity of food and necessaries at one time, that may be required at another time; yet the laborer's reward may possibly be very little diminished. If the laborer's wages at the former period were a certain quantity of food and necessaries, he probably could not have subsisted, if that quantity had been reduced. Food and necessaries in this case will have risen one hundred per cent., if estimated by the quantity of labor necessary for their production, while they will scarcely have increased in value, if measured by the quantity of labor for which they will exchange." Hence while the labor realized in a commodity is under ordinary circumstances an invariable standard, the power of a commodity to command labor is no certain criterion of its value.

As the quantity of labor, realized in commodities, regulates their exchangeable value, every increase of the quantity of labor exercised on any commodity must augment its value, and every diminution must lower it.

That the amount of labor bestowed on two articles establishes the terms on which they must permanently exchange for one another, will readily appear by a recurrence to the earliest stages of society. If we suppose the labor of one day necessary for a fisherman to procure a fish, and of two days for a hunter to obtain a deer, is it not evident, on the supposition, that the labor of both

was equally arduous, that the same degree of skill was required, that both were in an equally good situation to carry on either employment, or to make an arrangement for a transfer of their commodities, no exchange could take place, unless the fisherman would consent to give two fish for the deer of the hunter? That a bargain might, in fact, be made on other terms, in no wise affects the principle of interchange. Circumstances peculiar to the position of the individuals may induce the one or the other to contract on terms comparatively disadvantageous. An exception cannot alter a general rule, but it would be absurd to suppose, that a man would work two days to procure indirectly what another had gained in one, and which it was fully competent for him to obtain in the same time. Thus in ordinary cases, the labor worked up in one commodity is an unerring criterion of of the terms, on which it will exchange for another.

Nor is there any distinction between the principles on which the value of material and immaterial products are regulated. The services of a domestic are not realized in any tangible commodity, but they are not on that account less valuable than those of the carpenter or mason: the same remark will apply to the opinions of professional men. They are all the products of labor.

The principle of exchangeable value is not affected by the introduction of a commodity, which serves as a general instrument of interchange. The precious metals are themselves the results of labor, and the price of an article, that is to say, the sum at which it is estimated in money, is regulated by the amount of labor, realized in it, compared with the quantity realized in the gold and silver for which it exchanges. When also paper money is introduced, as a substitute for a more expensive currency, its value is determined by that of the specie, which it represents. It is either the same, greater or less than that of the metals, whose place it assumes, according as its quantity is the same, less or greater than that of the coin, which would otherwise circulate. A

simple illustration will suffice to establish this proposition, which is of primary importance in that branch of Political Economy, which relates to money. If we suppose the currency of a country to consist of seventy-three and a half millions of dollars in silver, (which is, by the by, the present actual circulation of the United States, in bank notes and bank drafts and coin,) and the whole of this specie to be withdrawn, and the same precise amount in paper to be substituted, it is evident as each paper dollar would measure the same amount of commodities as the silver one did before, that the prices of all articles would continue unchanged; while, if the paper currency exceeded the metallic, they would rise in proportion to the augmentation, and if it was less they would fall in a degree commensurate with the contraction.

The general proposition respecting the exchangeable value of commodities admits of a qualification. It is true in all cases, where they can be increased in quantity by the application of labor; but the supply of rare statues and pictures, of wine made of grapes growing in vineyards of peculiar soil and limited extent, cannot be augmented by human exertion, and of course these commodities, as well as such as are the results of monopoly, derive their value from their scarcity, and form exceptions to the ordinary rule. Where there is a limited quantity of articles not susceptible of increase, the original cost may be wholly disregarded, and no ounds can be ascribed to the price, which the taste or caprice of individuals may induce them to give in order to obtain them.

Dr. Smith, as we have heretofore observed, confines the principle, that labor is the basis of value to the period of society, which precedes the accumulation of capital and the appropriation of land. The proposition is however susceptible of universal appli-tion. Capital is the product of labor, which has been hoarded and accumulated, and thus preserved from immediate consumption. When employed in the production of a commodity, it enters into exchangeable value in like manner as simple labor does. To recur to the case of the hunter and fisherman.—The hunter,

instead of directing his exertions immediately to the chase, may devote the labor of one day to the construction of a bow and arrow; and that of another to pursuing the game. Supposing the fisherman, as before, to procure a single fish in one day, the terms of barter will not be altered; but while in the former case the exchangeable value of both consisted exclusively of simple labor, in the latter the fish is the product of simple labor, and the deer of labor and capital combined. Should the bow and arrow aid in the taking of two deer, the direct labor in both cases continuing unchanged, only one half of the capital or hoarded labor would be realized in a single deer, and of course, as the result of the variations in the amount of labor required to obtain them, the exchangeable value of deer and fish would be altered. The bow and arrow, in their nature, do not differ from the complex machinery of the most advanced state of society; and thus we see, that the rule which determines that articles are to one another, as the labor realized in them respectively, is in no wise affected by the substitution of capital for labor.

The first capital, which was formed, was the result of pure labor, that which was subsequently created of capital and labor united; but in the value of an article is included all the labor, whether direct or accumulated, which was required to furnish the finished commodity at the place, where it is estimated.

Most things come to the consumer after having passed through the hands of the agriculturists, manufacturers, and merchants, and their cost, when purchased for use, is made up of the labor direct and accumulated bestowed on them in their various stages of production.

Suppose a piece of linen of American produce and manufacture to be purchased in one of our city shops. 1. The raw material must be obtained from the agriculturist who, to say nothing of the indestructible properties of the soil, of which we shall by and by speak, must employ some capital in the buildings and other improvements and must possess cattle and horses, and instruments of tillage. Besides the expenditure which these objects imply, he must use a certain sum, in the payment

of wages, including what is due to him for his own superintendence. 2. The flax must be taken to the manufacturer who employs fixed capital in his mills, &c., and circulating for the compensation of the workmen. 3. The merchant, who is interposed between the manufacturer and the consumer, must come in for his profits on his advances, and for the labor, which he devotes to his business. To simplify the case, only three of the processes, through which all commodities must pass, have been pointed out, but it ordinarily happens, that there are many more. Thus the flax, instead of being sent by the farmer to the manufacturer, is sold to the country dealer, and the manufactured article is disposed of to the wholesale merchant, who distributes it to his retail customers.

The division of labor among individuals is the result of an augmented population. In a new country single families are obliged to perform among themselves all the various employments required to supply food and subsistence. In a more advanced society, not only is there a division of the people into agriculturists, merchants, and manufacturers, but in cities we find branches of business distributed among several classes, which in a village are carried on by the same individual.

The tendency of a division of labor to increase production, by the greater facilities, which constant habit in one employment naturally creates, has been forcibly pointed out by Dr. Smith, who compares the number of pins, which can be made by isolated individuals, where each manufactures a whole one, and the number produced, when the several parts are distributed among various workmen. As the example given in the "Wealth of Nations" is no doubt familiar to most of you, I will not trouble you with a repetition of it on the present occasion. Modern improvements would furnish us with still stronger illustrations.

Commerce or foreign trade may be regarded in the light of a territorial division of labor. By it the industry of every country may be directed to those pursuits, for which it possesses the greatest relative advantages, and thus production be infinitely

augmented to the universal advantage of mankind. Every region has certain productions especially congenial to it. By artificial exertions it is true, many of these might be raised elsewhere, for there are few impediments, which human industry will not overcome. As sugar is manufactured in France out of the beet root, oranges may be grown here in hot-houses, instead of being imported from the West Indies. But why apply incalculable efforts to procure what might as well be obtained with no extraordinary exertions? The country, which imports from others the manufactures or agricultural productions required for its own consumption, does not on that account encourage its domestic industry less than the one which resorts to a "wall of brass," though the kind of industry may not in the two cases be precisely the same.

It certainly cannot be material as regards the employment of labor, whether we make use ourselves of the commodities, which are grown and manufactured among us, or exchange them for others more suited to our wants, but for the procuring of which at home we do not possess equal facilities. In the former case, however, we should probably by the same amount of exertion procure more of the desired commodities than in the other; and instead of less labor being put in requisition the greater amount of accumulation, which would take place under a free system, would afford to capitalists constantly increasing opportunities of extending the operations of industry. Nor is it any argument against foreign trade, that the capital of other nations is to a considerable degree employed in it. This will always be the case in the transactions between two countries, where the rate of profits is unequal, and it is mutually beneficial. It enables the people of the country, where capital can be most advantageously employed, to use their resources at home with greater returns in other branches of industry; while at the same time the foreign capital obtains a higher rate of profit, than could elsewhere be procured for it.

The principle, to which we have referred, that in the value of

the commodity, all the previous labor and capital required for its production must be included, will satisfactorily account for many of the seeming inequalities in the compensation of labor. An ordinary day-laborer requires no previous instruction, and his support, with what may be necessary for that of infant children, may be considered the natural compensation of labor in its simplest state. The mechanic must be paid for the acquisition of his trade. The professional man, on whom a great deal has been expended, must receive a return not only for his direct labor, but for the capital, which has been consumed in placing him in his present situation. In order that the wages should be equal in these cases to those of the ordinary ploughboy, they should include a compensation, calculated on the principle of an annuity for all the anterior labor, both immediate and accumulated, which has been exhausted in the acquisition of the requisite knowledge. There are, also, other circumstances, which determine the relative rates of wages. The intensity of the labor has its influence. Some branches of industry are deemed more honorable than others, and persons are frequently willing to forego greater pecuniary advantages, in order to enjoy a higher distinction in the eyes of the community; while many avocations are so extremely disagreeable, that more than the usual compensation for the required skill is necessary to obtain a competent supply. Some pursuits will almost infallibly yield a certain return for labor; others again are of the character of a lottery, where there are a few great prizes, but a vast number of blanks.

The security of agriculture, the independent condition of the yeomanry, and the little previous knowledge which it demands, induce a large class to engage in it, with profits inferior to those generally afforded in other pursuits. But even in this branch of industry, the returns for labor and capital are apparently very unequal, the superior skill required, and the greater risk incurred in gardening and in the cultivation of vineyards, though these departments of agriculture yield larger profits, prevent them from being really more lucrative than others. The sugar estates of the West Indies and Louisana, and the cotton and rice planta-

tions of Carolina and Georgia afford, in favorable years, a much higher rate of profit than the farms of our northern states, but the planters of Carolina and Georgia are much more exposed than the agriculturists of New-York and Pennsylvania to a total failure of crops, and the climate makes great countervailing inducements necessary to a continuous residence. The hazards of the merchant exceed those of most other employments. One adverse speculation may crush the most zealous and industrious; whereas every experiment, every failure only adds to the chances of professional success. But the hopes of acquiring a princely fortune overbalance the risks of commerce in the opinion of no small portion of the enterprizing and ingenuous youth of every prosperous country. If due regard be had to the considerations, which we have adduced, it will be found, that the difference, which exists in the compensation of human labor and capital, is *apparent* not *real*. Were further proof required to support this position, it would be found in the fact, that, as there is nothing to prevent any person's applying his industry and resources to the pursuits, to which he may be attracted by the highest reward, if the gains in one business should exceed those in others, capital would necessarily be withdrawn from the less profitable employments. Temporary inequalities may indeed exist. For short periods, a change in the demands of the market may compel some, whose previous habits unfit them for other business, to labor on less advantageous terms than their neighbors, and much of that capital, which is invested in buildings and machinery, may not be susceptible of a transfer; but, there is no proposition clearer, than that the profits in different employments tend to an equilibrium. However much, therefore, the community may suffer from obstacles to the free developement of industry, it is erroneous to suppose, that correspondent benefits accrue to those engaged in a particular branch of business, unless they individually enjoy a monopoly. Though foreign competition be excluded, if a business is accessible to all the inhabitants of a

country, it cannot, for a length of time, yield any thing beyond the ordinary profits.

A commodity, as we have seen, may be the result of either direct or accumulated labor, that is, of labor or capital, or of both combined. In the first case, supposing no advances to have been made for subsistence by a capitalist, the whole product will belong to the laborer; in the second, the capitalist would be the sole owner, and in the last it would be divided between them, according to certain rules. The portion which goes to the capitalist, after replacing his advances, is called profits, and that which belongs to the laborer is termed wages. Of the nature of a commodity, the product of simple labor, no further illustration can be necessary. The additional value, which a cask of wine acquires by being kept a year may be considered as an example of a *value* created by capital alone. Supposing the wine to have cost $1000, and the rate of profits to be 10 per cent., the wine at the end of the year would be worth $1100. Were this not the case, the power of the capital invested in the wine would be lost to its owner, but if other modes of realizing capital were open, none of it would be laid out in investments, which did not yield the ordinary advances, and consequently wine would never be purchased with a view of retaining it to be improved by age.

If we can suppose a commodity to be wholly produced in the space of a year by a machine of the same cost with the cask of wine, and calculated to last indefinitely, the value of the commodity will be equal to, and will measure precisely the new or additional value conferred on the wine by withholding it from use for the above period.

To simplify the subject, the parties concerned in production have been supposed to consist of two classes;—the rich men, who furnish the materials and instruments of production, and the workmen, who supply the labor. But the principle is not varied, when the capitalist, instead of making a division of the proceeds of the commodities, advances to the laborer his wages, before a sale is effected. The whole product will then be his, as fully as the pro-

duce of a West India plantation belongs to the slave owner; but the adjustment of profits and wages is calculated on the same principles, as if the article was first sold, and the distribution made between the owners of the direct and accumulated labor.

Supposing an article produced by their conjoined operation, it is for us next to examine in what manner it is apportioned between the capitalist and laborer. As the commodity comes into the hands of the capitalist, who pays out of the proceeds the laborer's wages, it is evident that the former's share must depend on what he gives the laborer, and thus as wages rise, profits must fall, and *vice versa*. This, it is evident, rests on the same foundation with the axiom, that the whole is equal, and only equal to all its parts. In an old country, for the reasons, which the theory of rent furnishes, wages, i. e., proportional wages, are high, while in a new one, they are low. Lest, however, this should appear paradoxical to those, who are accustomed to hear of the low wages of Europe, and the high wages of this country, it is proper to explain to you, that it is not wages, computed either in money or in commodities, that we are now discussing, but the proportion between the returns of capital and labor.—From not attending to this distinction, political economists, in other respects entitled to consideration, have fallen into unfortunate errors. It may well happen, that considered with reference either to their money price, or to the command which they afford over the comforts, conveniences, and necessaries of life, profits and wages may both at the same time be very high in one place compared with another. This is indeed ordinarily the fact in the United States, and in most other countries, which have not yet attained a stationary condition; while among nations whose prosperity is declining, the reverse is the case.

We have already observed, that the wages of the laborers were usually advanced by their employers. This capital, as well as that expended in the purchase of the raw material, is constantly reproduced in new commodities, and is termed circulating. That which is laid out in buildings, and other permanent invest-

ments, is distinguished as fixed capital, and is of every possible degree of durability. The whole power of one machine may be exhausted on a single commodity, while another may be capable of making ten thousand all equally calculated for the proposed end. Utensils or machinery may not only have occupied different periods of time to produce them, may have unequal quantities of labor realized in them, but they may be calculated to last almost indefinitely, or they may approach to the nature of circulating capital. An annuity of less than seventy-three cents, accumulating at ten per cent. for one hundred years, would replace a capital of $100,000. Therefore, in regarding a machine of the durability of one hundred years, we may almost lay out of consideration the annual consumption of the fixed capital. As however we estimate a commodity by the labor bestowed not only on its immediate production, but by that also, which has been expended on the various implements required to give effect to the particular labor, to which they were applied, the durability of machinery, and the number of similar commodities in the production of which the same fixed capital is capable of concurring, are matters of essential consideration.

Were all capitals circulating, or of equal durability, no alteration in the wages of labor would have any effect on the relative value of commodities; for as, according to what has been already stated, the value of a product is composed of wages, the returns of direct labor, and of profits, or the compensation given for the use of capital, it necessarily follows, that as one portion is increased, the other must be diminished. If, in any particular trade, wages rise, there is no reason why the capitalist should receive less profits, than are obtained in other similar pursuits, but the causes which lead to permanent augmentations in the rate of wages, as will hereafter appear, extend to all laborers alike, and must produce similar effects on their employers.

But the capital engaged in the several branches of industry is of unequal durability, and the periods of its return are very

various. These diversities in the nature of capital, and its several combinations with direct labor, occasion some complexity in determining the natural cost of production, and in comparing the exchangeable value of commodities. Cases varying between the two extremes of articles, produced wholly by machinery, that is, by fixed capital, and such as are entirely the result of direct labor may be stated, so as to present all possible combinations of fixed and circulating capital. If we suppose two capitals, one of such durability, that its gradual consumption may be disregarded, and the other employed in the payment of wages, if labor becomes more valuable, and wages be thereby raised, and profits made to fall, it would seem, at the first view, that the owner of machinery would be unaffected by the rise of wages, and that its influence would be felt wholly by that class, which used its capital for the payment of laborers. This result, however, competition would prevent. The equality of profits can only be temporarily disturbed, and the effect would ultimately be a diminished value in exchange of the manufactured articles, and thus the commodities produced by direct labor would rise in value, as compared with those made by machinery.

In the remarks on production we have made no mention of the peculiarities, by which the earth as a natural agent is distinguished. In the first settlement of a country, where every one may have as much land as he pleases, by the mere act of appropropriation, it is obviously in its nature the same in all respects, as the air or water; and the returns from agricultural produce, like those from other branches of industry, are apportioned between profits and wages. In the progress of society, however, the demand for additional produce causes land of diminishing fertility to be taken into cultivation, and labor is applied to agriculture with less favorable returns. It is obvious, that if a given amount of industry obtains from one acre twenty bushels of corn, whilst another acre with the same toil can be made to yield only ten, and that in the last case the produce is an equivalent for the capital and labor, according to the ordinary rate of profits and

wages, there must in the former be a surplus beyond what is required by the laborers and capitalists. But we have shown, that in the same country, there cannot be unequal profits, and that any seeming inequalities are only apparent. If on one farm, wheat is raised with half the labor required to produce it on the adjoining estate, it can be sold no lower. We cannot suppose two prices, the one double the other, at the same time and place, for wheat or corn of the same precise quality. But all commodities, which continue to be produced, must afford a remunerating price, that is to say, so much as will compensate the cost of production. Consequently, the price of wheat or corn is regulated by the expense of raising that portion of it, which is furnished under the least favorable circumstances; and if we consider additional capital to be applied to the most fertile soils with diminished returns, the result is the same as if recourse had been had to inferior land. Rent then, or the difference between the produce of any given soil, and that of the least fertile in cultivation, which merely compensates capital and labor, must belong to a third class.

Locality has also an effect in determining rent. While the neighborhood of a large town, or of a navigable river, makes all the land in a district yield rent, an inaccessible situation, the want of good roads, or of other communications, may have the same effect as inferior fertility. For the supply of a large city, the nearest fertile land would be first cultivated; when this is insufficient, it must always be a matter of calculation, whether to resort to the next fertile, to apply additional capital to the old with diminished returns, or to make up the deficiency from the best lands of more distant places. If a remote territory be cultivated for this purpose, the expense of conveying the produce of the soil is added to the cost in other cases, and thus less fertile land near a city may be as advantageously employed, as that of the first quality, at a distance from a market.

According to the theory of rent, after recourse has been had to secondary soils, we may suppose the products of the earth to be distributed among landlords, capitalists, and laborers. It is, how-

ever, proper to observe that by rent, in the sense in which we are now employing it, is meant merely the compensation given for the use of the indestructible powers of the soil. The buildings, fences, and other improvements are capital, partaking of the same character with the accumulated labor invested in machinery. As to the rent of houses, a part is the remuneration for the capital employed in buildings, and is governed by the laws, which regulate profits, the remainder depends on locality, and, as in cases of monopoly, is the highest, "when there happens to be the greatest demand for houses, whatever the reason for that demand, whether for trade or business, for pleasure and society, or for mere vanity and fashion."

In the United States, the same individual is in most cases both landlord and farmer. But though one person should represent the three several characters connected with agriculture, so much produce as will pay the interest of the difference between the price of any given soil and of the least fertile in cultivation, corresponds with rent—the share of the landlords; the remainder will be apportioned between wages and profits, as before the appropriation of land. However the different classes may be blended, here as elsewhere, "rent consists of the difference, or the value of the difference between the produce obtained from the capital first applied to the land, and that which is last applied to it."

In consequence of the diminution in the returns from agricultural industry in the progress of society; which falling off is sometimes checked, but cannot be permanently arrested by improvements in tillage, the amount to be distributed to the capitalists and laborers is constantly decreasing. When the produce of the last soil in cultivation is ten bushels per acre, profits and wages together will be only one half of what they were, when no land was cultivated, that did not yield twenty bushels. But wages are restrained by necessary limits, below which nature will not allow them permanently to fall. They must be equal to the sustenance of the laborer, and of that of his infant children, who are incapable of supporting themselves. Consequently, when recourse is had to

inferior soils, the capitalist principally suffers, profits falling with every increase of rent, that is, with every diminution of fertility.

We have, then, the solution of the problem as to the true cause of the decline of the rate of profits. It is not, as has been often erroneously maintained, the augmentation of capital, and the competition among those who possess it. Profits do not depend permanently upon the demand for capital, as compared with the supply, but on the proportion of the whole produce, which goes to the laborer. As long as the means of employment exist to a proportionate extent, the indefinite increase of capital can never diminish profits. It is the productiveness of industry, determined by the fertility of the soil in cultivation, which regulates their rate. The diminution of gains from agriculture is the the effect of a law of nature. The principle of the equality of profits, in all employments, shows that there must be a corresponding decline in the returns from capital, employed in other branches of industry; and thus the profits of the manufacturer and merchant, as well as those of the farmer, must ultimately be regulated by the character of the soil in cultivation.

In new countries, in addition to the other advantages of great fertility and cheapness of subsistence, capital is increased so much more rapidly than population, that, in consequence of the insufficiency of laborers to meet the demand, the wages of those, whose business requires the least previous knowledge, enables them to obtain indulgences, which far exceed their necessary subsistence. But, in countries which have passed the stationary condition, though capitalists are the ultimate sufferers, the wages do not immediately accommodate themselves to the actual condition of things. There is a constant tendency to prevent the fall of profits, by withholding not only that surplus amount of subsistence which is demanded for an advancing state of society, but even the supply which is necessary under the existing circumstances. By exchanging manufactured commodities, which, as we have seen, always fall in price as wages rise, for raw produce, the effects of diminishing fertility may be long diverted from densely

populated countries, and the most distant regions made to furnish the requisite supplies; while those nations, which yet possess extensive tracts of uncultivated land may procure in exchange, by availing themselves of their natural advantages, a far greater abundance of manufactured commodities, than any direct application of their resources to such objects could insure. Countries, in the condition of the United States and Great Britain, might thus be made, by a free interchange of raw and manufactured commodities, to assume towards one another the mutually beneficial relations of country and town, and the decline of profits in the latter be postponed till the banks of the Columbia are cultivated to the same degree, as those of the Thames. Indeed we find a corroboration of our theory in the result of all efforts to produce an artificial distribution of employments. The condition of the Eastern States is approximating to that of Europe. The rate of profits, so far as they can be tested by the ordinary interest of money, as you all well know, is lower at Boston than in New-York, and very much lower here than at Cincinnati or New-Orleans. In all human probability, in a system of perfectly free trade, flourishing manufactories, not dependent on the caprice of legislators, would long since have been established at the East, as the most advantageous employment of capital. Nor has the seat of manufactures been sensibly altered by any Congressional enactments. The great establishments are now to be found, where Political Economy shews that they can alone exist. To say nothing of the slave-holding states, the condition of which presents a more complex question, if free ingress is allowed into Indiana or Illinois, of the products of the manufactories of Massachusetts, and Rhode-Island, and we do not adopt anew the old British regulations, which prevented articles of the first necessity from being carried from one colony to another, no prohibition of foreign commodities can, for centuries to come, make the Western States manufacturing districts.

Our view of production would be incomplete, did we not notice the distinction between the natural and market price of commodities. Even in the case of those articles, which may be increased

to any extent, the price in the market seldom coincides, at any one time, with the cost of production. The latter, however, is the point towards which it always tends, and around which it oscillates; the market price being sometimes higher and sometimes lower than the natural price.

I know not how I can better explain this subject than by a reference to Mr. Simond's work on Switzerland. By the by, this gentleman, who was a highly respectable merchant of New-York, before he was known in the annals of European letters, may be noticed as another example of the entire compatibility of successful commercial operations with the extensive cultivation of science, literature, and the fine arts. "Some differences of opinion," says Simond, "have lately taken place respecting the theory of prices; the question at issue seems to be, whether prices are regulated by cost of production, or by demand? Something analogous to this would be the question whether the level of the sea is regulated by the winds or by gravitation? Like the great law of nature, cost of production must be the fundamental regulator of prices, disturbed, indeed, incessantly within certain limits but never beyond them by demand."*

The mistakes, which sometimes occur in not adapting the production of particular commodities to suit the varying tastes and caprices of the people; the revolutions in the course of trade, occasioned by great political changes in the situation of nations; a harvest in a populous country either unusually productive or extremely deficient; an abundant or scanty crop of the article, from whence the raw material of an important manufacture is supplied—all, or any of these circumstances will have a material effect on the market price of commodities. In other words, the demand and supply, in extraordinary cases, will produce great oscillations from the cost of production—the central point, which serves as the regulator of value. The wars growing out of the French Revolution, whether we regard their duration, the immense resources unpro-

* Voyage en Suisse, tom. I. p. 110, note.

ductively consumed by them, or the amount of capital and labor applied, during their existence, to pursuits dependent on the continuance of belligerent operations, may be supposed to have had the most important bearing of any events of modern times on the economical condition of the world. It can then hardly be considered surprising that, on the arrival of peace, production could not at once accommodate itself to the altered state of things. In many pursuits, more articles were produced than would bring a remunerating price; and, as this inconvenience was not confined to England, or to countries which were obliged to undergo a change in their currency, it was seriously contended, that a universal glut was not only possible, but that it had actually occurred. I well remember when, about ten years since, I visited Europe for the first time, that this subject, which long formed a topic for reviews and pamphlets, was one of constant discussion among politicians and statesmen. In refuting the erroneous proposition then much in vogue, Mr. Say, though in general very inferior in method to the English economists, was particularly happy.

Dr. Smith had shown, how the powers of production might be rendered most effective. Mr. Say completed his doctrines by proving that no conceivable increase of these powers can ever occasion a general glut, or universal overloading of the market. "Too much of one commodity," says he, "may occasionally be produced, but it is quite impossible that there can be too great a supply of every species of commodities. For every excess there must be a corresponding deficiency. Such commodities as are produced in the view of being directly consumed by their producers, can never be in excess; and such commodities as are carried to market are produced only in the view of obtaining others in exchange for them; and the fact, that any description of them is in excess, is of itself an unanswerable proof, that there is a corresponding deficiency in the supply of those they were intended to exchange for or buy."*

* Say, Histoire d'Econ. Pol.

The price of articles, that is, the ordinary exchange of them for money, is also influenced by the state of the currency. Prices vary not only according to the demand and supply of the the commodities bought and sold, but also according to the greater or less abundance of the medium, in which they are estimated. The condition of the currency of England during the latter years of her war with Napoleon, and of that of the United States, during the period, which intervened between the dissolution of the old and the establishment of the present National Bank, renders unnecessary all further reference to the effect on prices of an irredeemable paper money. Even where there is a metallic currency, or one convertible, at pleasure, into specie, it is not an invariable standard. By the greater or less facility of procuring the gold and silver from the mines, the rent of which is regulated by their fertility, in like manner with that of land, the exchangeable value of commodities is permanently altered. Independently of this consideration, the price of money, and of course of the commodities for which it is exchanged, is affected by the greater or less expansion of the currency. When the metals alone are employed, it requires the introduction of a quantity of gold and silver into circulation, or its withdrawal, to make money more or less abundant. When it becomes unusually plentiful, it raises the price of all articles, and thus gold and silver being rendered comparatively cheap, are exported—till such time, as by their diminution in quantity, the demand for them increases, and they can no longer be profitably sent out of the country, in preference to other things.

When the currency is partly paper and partly metallic, any depreciation, owing to the increase of the paper, will lead to the exportation of gold and silver, though their amount in the country may not be augmented. And as it is only the coin, which circulates with the paper, not the precious metals in the banks, serving as the basis of their emissions, which has an influence on the currency, a great increase may take place in the gold and silver of the country without a depreciation of the circulating medium. Of this, indeed, we have had a practical illustration within the

last two years. According to the Treasury Reports, from 1821 to 1829, $60,995,000 of specie and bullion were received into the United States, and during that period, $69,567,000 were exported. We know, however, as we have from the returns of the banks and other sources the quantity of gold and silver in the country, at the two periods in question, that the imports are put down at too low a sum. Indeed, as specie pays no duty, the accounts of the importation of it are very defective, and an amount was probably brought into the country by emigrants, which would make up the difference between the exports and imports, as given in the official statements. But, in 1830, owing to a change in the mode of conducting the East India trade, the decline of the practice of hoarding specie by the native chiefs, and the extensive use, at that particular period, of bills of exchange, though the imports of the precious metals were $8,156,000, the exports were only $2,178,000. There was also, in addition to the amount exported in ore and bars without being coined, nearly half a million brought to the mint in the same year from our own gold region. But as the excess of the metallic importation did not enter into circulation, but remained in the vaults of the banks, though it may have made those institutions somewhat more confident in doing business, and removed from their dealers a salutary caution, it caused no immediate depreciation of the currency from superabundance. It was not till, in the course of events, we were called on for that silver, which was formerly sent to the East Indies, but the transmission of which was now rendered circuitous by the substitution of bills on London, and the rise of this metal from this and other causes in the markets of Europe, that it was found advantageous to ship specie to England.

Temporary fluctuations in price are also occasioned by speculations. Being governed by no definite rules, such operations know no limits. The commercial world seems indeed to be subject to periods of extraordinary excitement, which frequently have their origin in very slight causes. Thus in 1825, an epoch sufficiently memorable to be in the recollection of most

of us, a falling off in the supply of cotton was announced in the circular of a Liverpool house. The surmise was, in a great degree, unfounded, but the extent of the rise would have been wholly unauthorized, had the statement been true; for, whenever the price of an article advances much beyond its cost of production, a substitution to a considerable degree of other commodities takes place, and the consumption of the enhanced article is proportionably diminished. But, when the fever of speculation is raging, no one thinks of looking to the foundation of prices; every one hopes to be able to sell at an advance, and is indifferent as to what may afterwards occur. The effect of a speculating mania is to raise prices by the very avidity exhibited by those who are under its influence, and by the competition which they create. Most of these operations are made on credit, but all credit, with the single exception of paper passing as money, which stands on peculiar principles, must have an end. It does not create capital, but transfers its use from one person to another, and however multifarious the transactions, the time must arrive for a settlement.

As we have observed, the capital of a country is divided into *fixed* and *circulating;* and it is only the latter portion, that can be diverted from one pursuit to another. In case of a pressure, the demand for convertible or floating capital is greatly increased. The capitalists, who in a season of general confidence, had freely made loans on personal security, become excessively cautious. While there is rather an increased disposition for landed securities and government loans, those public stocks, which are not of the most undoubted credit fall, and interest is paid not according to the principles, by which it is governed in a tranquil state of things—the prospective profits of the undertaking, but by the all-important consideration of preventing a declared bankruptcy. Borrowing, however, at an exorbitant interest has its limits, hastened indeed by the usury laws, by which the number of lenders is diminished, and which, though their absurdity in principle and inefficiency in practice have been pointed out by every sound

inquirer into the nature of capital, still remain in our statute books, a relic of barbarism.

The political economists, who consider the receiving of interest or usury as a compensation for the use of a pecuniary capital to be precisely the same in principle as reserving a rent for the occupation of a house, may cite among the advocates of their cause, even the great reformer Calvin, who, on this subject, treats the authority of Aristotle and that of the Romish Church with equal disregard. "To the former" to use the words of Dugald Stewart, "he opposes a close and logical argument not unworthy of Mr. Bentham. To the latter he replies, by shewing that the Mosaic law on this point was not a moral but a municipal prohibition; a prohibition not to be judged of from any particular text of scripture, but upon the principles of natural equity."

I cannot hope to effect what has been in vain attempted, and with equal force of argument by the Genevese divine, and the philosopher of Queen's Square Place, but I cannot allow the present occasion to pass by, without adverting to the advantage, which the citizens of the interior of our state, and particularly the agricultural portion of it, derive from our having established a rate of legal interest above that of the neighboring states, and which is ordinarily higher than the market price of money in the City of New-York. Most persons for obvious reasons prefer investments near at home, and had capitalists not been tempted by an additional per centage, millions of dollars, loaned within the last two or three years, to the farmers of the west, would never have sought such investments.

But to conclude this digression;—when money can no longer be borrowed on goods, sales must be affected for whatever price can be obtained for them, and the competition among sellers then equals that, which previously existed among the purchasers, and makes prices fall as much below, as they had risen above the cost of production. Of the panics and destruction of credit attendant on the re-action of all extensive speculations, no one conversant

with the transactions of our commercial emporium can be ignorant. But the equilibrium can never in any case, be but temporarily disturbed. The rise of prices leads to the exportation of gold and silver in preference to other commodities; and where notes are issued on a specie basis, the bankers are of course obliged to contract their circulation. The limits thus put on the currency would bring down prices, even if the other causes which we have assigned were not in operation, to the natural relation, which commodities bear to specie, and trade would then, though after the sacrifice of the fortunes of individuals, resume its former channels.

All articles are produced in order to be consumed. The only question is, whether they shall be used unproductively by the capitalists, or employed reproductively in the creation of other commodities. When we say, that revenue is saved and added to capital, we do not mean to imply that it remains unaltered in form, but that instead of being taken for the support of the capitalist and his family, it is realized and made to appear anew in other articles.

Among the expenditures chargeable on every man's income is the tax for the support of government. The security of persons and of property is essential to accumulation, as well as to the enjoyment of our acquisitions. The same rule, however, applies to government expenditures as to all others. They should be as small as possible consistent with the objects in view, and most particularly should the public avoid imposing contributions for undertakings, which can be carried on by the resources and sagacity of individuals. The government, indeed, can seldom step out of its legitimate sphere of action, without ultimately injuring instead of benefitting the common weal.

The discussion of the constitutional power of Congress to engage in internal improvements is alien to these lectures; but the question whether such works shall be carried on by individuals or by the public presents some important economical considerations which it becomes us to notice. When a road or canal is commenced at pri

vate risk, it is pretty certain that there is a reasonable prospect of deriving, either from the tolls or the enhancement of the property affected by it, advantages more than commensurate with the cost of the undertaking, while, on the other hand, there accrues from the mere disbursement of the public funds a local benefit, which would, probably, in a majority of cases lead to visionary and absurd expenditures. Nor are such anticipations altogether hypothetical; they are fully justified by the measures heretofore adopted by several of the states. All who are acquainted with the history of internal improvements in New-York, are aware that it was impossible to commence our great canal, without uniting in the same bill provisions for constructing *pari passu* one to Lake Champlain, and the subsequent legislation of our own state as well as that of Ohio and Pennsylvania will furnish examples of other cases, where it was necessary to sacrifice the resources of the community on unprofitable schemes, in order to induce a majority of the members to sanction undertakings which presented fair prospects of public benefit. These difficulties, if Congress should authorize an extensive system of roads and canals, would be increased in proportion to the means at the disposal of the national legislature, and the number of objects for which demands would be made on the treasury of the union, compared with the revenue and wants of a single state. For this reason as well as because the danger of extravagance and carelessness is the greatest where the responsibility of the agent to his employers is the furthest removed, if the public embark at all in the works to which we are alluding, it is obviously better that they should do so through the state than the general governments.

But, in the present condition of the United States and of the world at large, it may well be questioned, whether there is any enterprize, which promises adequate remuneration, that the capitals of individuals, aided by the facilities which the institution of joint stock companies affords, are not competent to effect; while the creation of interests in the government as a proprietor, distinct from those which appertain to it as representing the people at

large, may even tend to retard instead of advancing the internal improvement of the country. Far be it from me to say aught to detract from the just fame of the statesman, under whose auspices the noble work, which now connects the Atlantic with the western waters was commenced. The Erie canal was the pioneer in the numerous undertakings of a similar character, by which the trade of the interior has been made to centre in our great commercial emporium; and, at the time of its construction, it could probably have been accomplished in no other way than by the direct interposition of the public. But it is no slight argument against further appropriations by government to such purposes, that an association of our fellow-citizens is, at this moment, preparing to propose to the legislature the application, on their own private responsibility, of the modern invention of rail-roads to the whole route between New-York and Buffalo, and that the principal obstacle, which they are likely to encounter, arises from the vested interest of the state in its own canals.

But whatever may be the object to which the revenue is applied, the taxes should be so contrived, as to produce the greatest effect with the least possible charge on the resources of individuals, and they should be levied on each member of the state in proportion to the amount of his income, combined with a due consideration of its permanence and certainty. The rules, which govern the distribution of productions, will enable us to determine the effect of a direct tax on the owners of profits, wages, and rent.

The amount which is paid by the people as "customs" is not the measure of the entire burden imposed by this tax. So far as duties on imports tend to induce a diversion of capital from the production of articles, for which a nation possesses greater to that of those for which it has less facilities, they operate on the creation of wealth, in the same way as a decrease in the fertility of soil. Apart from the consideration of revenue, the injury to the consumers from protecting duties is the difference between the actual price of the foreign article or its domestic substitute, and the price at which the untaxed commodity can be afforded from

abroad. That the price of the commodity made in the country is regulated by the natural cost of production, is sufficiently evident from the existence of restrictive duties, and from the laws, which establish the equality of profits in different employments. The difference, therefore, to which we have referred, is not permanently gained by the manufacturers, but is a pure loss to the country and to the world, arising, except so far as customs are required for the support of government, from a misapplication of industry. Indeed, in order to allow capitalists to seek unfettered the investments most advantageous to them, and consequently to the nation, of which they are a part, whenever a duty is laid on a foreign commodity, there should be a correspondent excise on the domestic. For reasons, however, distinct for economical considerations, such a system would not meet with much favor here; nor is it likely that in ordinary cases, resort will be had to direct taxes.

The revenue of the national government, independently of the receipts for sales of the public land, will, we have every reason to suppose, continue to be levied wholly on foreign imports. On the subject of taxation, therefore, as one of immediate practical application, our investigations are restricted to the influence, which a choice of the articles selected for duties may have on the accumulation of wealth and the different interests of society. Wages are always materially affected by the cost of the articles consumed by the laborers, but as in this country the market is far beyond the natural price of labor, much of the benefit derived from the reduction on necessaries would accrue directly to the poor, while what they do not gain in that way would go to increase the profits of the capitalist—the source from whence the funds for future employment are to be derived.

The modification of the duties on luxuries would only directly affect the consumers of them, and as it would probably lead to their increased use, it would have but little influence on accumulation, and would consequently benefit but slightly the other classes of the community.

It is a particularly fortunate circumstance that by the reduction of the duties to the wants of the country, after the payment of the national debt, if the tariff be framed on any general principle, not even a temporary embarrassment can be occasioned to our mechanics, using that term in its ordinary acceptation.

From the relative condition of the United States and Europe, as has already been sufficiently shown, in our view of profits and wages, in commodities made by direct labor, we have a natural advantage. A reference to the statistical tables of our commerce will further prove that the importation of such articles is too trifling ever to interfere with the productions of our mechanics, that they enjoyed the monopoly of the home market before the enactment of the present tariff laws, and that they are now infinitely more injured by the high duties imposed on the raw material, than they can, possibly, be benefitted by any protection accorded to the finished commodity.

With a foresight, indeed, similar to that which has led to the destruction of the French forests, the iron usually obtained from England, and which is sold there at $23,33 is taxed $37 per ton, or 159 per cent. and on some descriptions of this useful metal, the price of which abroad is about $27,75 per ton, there is imposed a specific duty of $78,40, which is equivalent to 282¾ per cent. *ad valorem.* The effect of this tax is to induce us with a fuel comparatively unfitted to its preparation, and which costs a sum nearly equal to the whole onerous duty, to waste our capital in endeavoring to compete with a country, where bituminous coal may be procured almost by the mere act of appropriation.

But the case of iron is worthy of our attention on another account, it affords one of the strongest illustrations that we can give of the sacrifice of the poor mechanic to the interests of the wealthy manufacturer. In consequence of the high duty on the raw material, most articles of hardware, which in no case pay more than 25 per cent. ad valorem, can be imported at half the cost of the iron required for their fabrication, and thus the American blacksmith is driven from his legitimate avocation by a

system which professes an exclusive regard for the interests of American industry.

A discrimination in favor of necessaries, and higher comparative duties on luxuries would best comport with true scientific principles, would best promote accumulation, and best uphold the wages of labor. But this could not at once be done, without interfering with vested interests, created under the faith of laws, which however unwisely enacted, are entitled to respectful consideration. No government ought ever to adopt rashly any measure, though it be expedient and proper in itself, that might have the immediate effect to injure materially any large portion of its subjects, and since human happiness is the end in view, and the acquisition of wealth only a means to its attainment, to disregard vested interests would be as inconsistent with the principles of Political Economy, as with the dictates of justice. But the argument drawn from this source has its limits. Pushed to an extreme it would render impracticable all salutary reform. If the consumers, and particularly the poorer classes, would consent, in the spirit of compromise, to place the tax on all dutiable articles on the same footing, and if we have no surplus funds to serve as a source of incessant contention and of incalculable corruption to our national councils, it will be found that without including in the estimate the proceeds of the sales of the public lands, twenty or certainly twenty-five per cent. ad valorem, fairly calculated on the imported articles now paying duties, will be adequate to all the necessary and proper expenditures of the government.*

* These expenditures cannot legitimately be made to exceed twelve or thirteen millions of dollars—

The foreign imports in 1829-30, were,	$70,876,920
Deduct articles free of duty,	12,746,245
	$58,130,675
Exports of foreign articles not free of duty,	12,067,162
	$46,063,513
A duty on which of 25 per cent. would yield,	11,515,878

In 1830-1, the gross imports were $97,032,858, and it is probable that their amount would increase with the extension of the freedom of trade, so that

In any change, which may take place, we would especially endeavor to free our merchants from those petty vexations connected with the present laws, from which the high and honorable character that they have ever maintained, should exempt them. Perhaps no system can be more vexatious to them, and at the same time more unfair to the consumers, particularly to the least wealthy part of the community, than the principle of minimum duties, which was first applied to cotton in 1816, and was extended in 1828 to woollen goods. According to this system, while the rich man, whose cloth costs $4 and upwards a yard is, in no case, obliged to pay more than 50 per cent., and if it is invoiced at $2 50, only 40 per cent.; baizes are actually imported on which there is levied a duty, of 225 per cent. *ad valorem.* Flannels and other similar articles, used by the poor, worth 6 cents at the place of exportation would pay 360 per cent. were they not totally driven from our market by the regulations of the tariff, by which they are, however low the actual price, taken to cost 50 cents the square yard. The cloths for the negroes of the south fall under a different class of duties, and though taxed much more reasonably than the flannels and baizes required for our northern poor, pay, if they cost 9⅓ cents a yard, 150 per cent. But, from the fact that these high duties are necessary to effect prohibition, it follows that there is virtually given to the manufacturers for the coarsest clothing, in some instances nearly four times the sum for which the foreign article of the same quality could be obtained. Thus the consumers, who are told that they are paying duties of 40 or 50 per cent.—the highest ostensible ones in the tariff of woollens, are by means of this legislative legerdemain, made to contribute to the extent of from 100 to 360 per cent. on some of the most important articles of ordinary consumption, and the poor throughout are taxed for the necessaries of life far beyond what is imposed on the superabundance of the rich.

In no country have there been fewer attempts at smuggling

the duty might hereafter be greatly reduced. The receipts from the public lands for 1832 are estimated at $3,000,000.

than in the United States, and if frauds have recently taken place, they are to be ascribed to the complex system, by which they are invited. It is incumbent on Congress to be cautious, lest they drive their fellow-citizens into a course, far less to be deprecated for the loss of revenue, which it would occasion, than on account of the deleterious effects, which it might have on the morals of the community.

It is not my intention to examine the American tariff in detail. I have referred to it, in preference to commenting on the systems of taxation elsewhere adopted, as affording illustrations of the preceding principles more generally interesting and more practically useful than any which they could furnish.

In the remarks, which I have conceived it to be my duty to make on some branches of our national policy, I am aware that I differ from many enlightened citizens, for whose opinions on other matters I entertain a high respect; but I should have ill acquitted myself of the confidence which this most useful society has reposed in me, had I yielded, what I deem, the results of demonstration to the authority of any individuals however exalted, or permitted myself to be actuated by any other consideration than an ardent desire to advance the cause of true science. While on this topic, I would take leave further to observe that the doctrines, which I have been endeavoring to inculcate, have not been hastily or unadvisedly adopted. They are the same in substance as those delivered by me, some years ago, (1826) before another institution in this city;* and they have been confirmed and strengthened by all the opportunities which I have since enjoyed of examining the systems of our own and other countries and of studying the works of those writers, who have directed their attention to economical investigations.

In conclusion, we may be permitted to express our sincere hope, that the unhappy dissensions among the people of the United States, growing out of the expediency of the protecting system,

* The New-York Athenæum.

will ere long be terminated. Those who believe, that their sectional or private interests are benefitted by a course of policy demonstrably injurious to the country at large, and who reject the sound doctrines of economical science, should yet recollect, that *power* and *right* are not synonymous; while, should our fellow-citizens of the South be inclined for a moment to overlook those glorious reminiscences, which belong to us as a nation, Political Economy would corroborate what a reference to modern Italy or Germany would sufficiently establish, that twenty-four tariffs, with their attendant corps of custom-house officers stationed on the frontiers of every state, would be infinitely more injurious to the creation of wealth than any one tariff, however hideous its features.

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